



# !Kheis

Munisipaliteit  
Municipality

Financial statements  
for the year ended 30 June 2019

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

### **GENERAL INFORMATION**

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<b>Legal form of entity</b>	!Kheis Local Municipality is a Category B municipality (local municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998)
<b>Nature of business and principal activities</b>	!Kheis Local Municipality is a local municipality performing its functions as set out in the Constitution (Act no. 105 Of 1996)
<b>Jurisdiction</b>	!Kheis Municipality includes the areas Grootdrink, Gariep, Topline, Wegdraai, Opwag, Groblershoop and Boegoeberg
<b>Members of Council</b>	
Mayor	Cllr AL Diergaardt
Councillors	Cllr S Esau Cllr K Esau Cllr E Cloete Cllr G Beukes Cllr J Silo Cllr A Tobias
<b>Capacity of local authority</b>	Low capacity municipality
<b>Accounting Officer</b>	F Leeuw Acting Municipal Manager
<b>Chief Financial Officer (CFO)</b>	D Block Chief Financial Officer
<b>Registered Office</b>	97 Orange Street Groblershoop 8850
<b>Business address</b>	97 Orange Street Groblershoop 8850
<b>Postal address</b>	PO Box 178 Groblershoop 8850
<b>Bankers</b>	First National Bank Groblershoop 8850
<b>Telephone number:</b>	054 833 9500
<b>Fax number:</b>	054 833 9509
<b>E-mail address:</b>	<a href="mailto:tedishe@gmail.com">tedishe@gmail.com</a>

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

### **General information (continued)**

#### **Auditors**

Auditor - General  
Private Bag X5013  
Kimberley  
8300

#### **Attorneys**

Becker Bergh and Moore

#### **Enabling Legislation**

Local Government: 'Municipal Finance Management Act (Act no 56 of 2003)  
Local Government: Municipal Systems Act (Act no 32 of 2000)  
Local Government: Municipal Structures Act (Act no 117 of 1998)  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Standard Chart of Accounts  
Division of Revenue Act (Act 6 of 2011)  
Municipal Planning and Performance Management Regulations  
Water Service Act (Act 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Skills Development Levies Act (Act 9 of 1999)  
Unemployment Insurance Act (Act no 30 of 1966)  
Employment Equity Act (Act 55 of 1998)  
Electricity Act (Act no 41 of 1987)  
The Income Tax Act  
Value Added Tax Act  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

## **!Kheis Local Municipality**

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature.

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#### **Abbreviations**

COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
IAS	International Accounting Standard
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
MSIG	Municipal Systems Improvement Grant
DWA	Department of Water Affairs
FMG	Financial Management Grant

## **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

It is acknowledged that the accounting officer is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, standards are set for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

In my opinion as accounting officer and based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

In my opinion, the municipality is sound enough financially to be able to continue its service obligations to its community. The mandate of the municipality is encapsulated in Section 152 of the Constitution of the Republic of South Africa. In my opinion the municipality still falls short of delivering services in accordance with its Constitutional injunction, however it being a not for profit entity gives me

the necessary confidence to prepare the annual financial statements, which are set out on pages 1 to 83 of the annual financial statements in accordance with section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. In the years under review and after many years of using external consultant to prepare and compile the AFS, the Accounting Officer took a bold decision

I certify that salaries, allowances and benefits of Councillors as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the constitution, read with the remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 1 - 83 which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:



# **!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

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## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2018

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in providing municipal services in accordance with the objects of local government as encapsulated in Section 152 of the Constitution and operates principally in the Northern Cape Province in South Africa.

The operating results and the state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comments.

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. Key among these is the quality and caliber of senior management charged with implementing the Service Delivery and Budget Implementation Plans of the municipality. The ability to take stock of the processes

Cash flow was an impediment to delivery services in accordance with the Constitutional injunction moreso that over R6million had to be returned to the National Revenue Fund due to non-compliance with DORA by my predecessor. This also had a direct impact on the ability of the municipality to service third party debt.

### **3. Accounting policies**

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **4. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:



JTF Leeuw

Nationality  
RSA Citizen

# !Kheis Local Municipality

Annual Financial Statements for the year ending 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Current assets</b>			
Other financial assets	5	113 619	105 730
Inventories	6	178 429	286 401
Other receivables from non-exchange transactions	7	6 509 904	6 197 153
VAT receivable	8	1 006 787	1 029 348
Trade and other receivables from exchange transactions	9	41 628 483	8 844 709
Cash and cash equivalents	10	3 407 422	92 996
		<b>52 844 643</b>	<b>16 556 337</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	166 951 649	161 351 423
		<b>166 951 649</b>	<b>161 351 423</b>
<b>Total assets</b>		<b>219 796 292</b>	<b>177 907 760</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Unspent conditional grants and receipts	12	1 285 543	7 108 244
Short-term portion of Long Service Awards	14	12 440	12 440
Payables from exchange transactions	15	31 325 690	19 951 238
VAT payable	8	-	-
Current portion of non-current liabilities	16	874 830	874 830
Consumer deposits	17	94 795	90 031
		<b>33 593 298</b>	<b>28 036 783</b>
<b>Non-current liabilities</b>			
Finance lease obligation	11	1 559 748	2 377 908
Long-term portion of Long Service Awards	14	389 038	269 607
Provisions	13	5 416 113	4 089 111
		<b>7 364 899</b>	<b>6 736 625</b>
<b>Total liabilities</b>		<b>40 958 197</b>	<b>34 773 408</b>
<b>Net assets</b>		<b>178 838 095</b>	<b>143 134 353</b>
Accumulated surplus / (deficit)		144 598 412	143 134 350
<b>Total net assets</b>		<b>144 598 412</b>	<b>143 134 350</b>



# IKheis Local Municipality

Annual Financial Statements for the year ending 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>142 213 675</b>	<b>142 213 675</b>
Changes in nett assets	-	-
Prior Adjustment	(3 111 056)	(3 111 056)
Surplus for the year	7 903 031	7 903 031
<b>Total changes</b>	<b>4 791 975</b>	<b>4 791 975</b>
<b>Balance at 30 June 2016</b>	<b>147 005 650</b>	<b>147 005 650</b>
Changes in nett assets	-	-
Prior Adjustment	115 722	115 722
Surplus for the year	(1 785 182)	(1 785 182)
<b>Total changes</b>	<b>(1 669 459)</b>	<b>(1 669 459)</b>
<b>Balance at 30 June 2017</b>	<b>145 336 190</b>	<b>145 336 190</b>
Changes in nett assets	-	-
Prior Adjustment	(1 874 746)	(1 874 746)
Surplus for the year	(327 095)	(327 095)
<b>Total changes</b>	<b>(2 201 840)</b>	<b>(2 201 840)</b>
<b>Balance at 30 June 2018</b>	<b>143 134 350</b>	<b>143 134 350</b>
Changes in nett assets	-	-
Prior Adjustment	-	-
Surplus for the year	1 464 062	1 464 062
<b>Total changes</b>	<b>1 464 062</b>	<b>1 464 062</b>
<b>Balance at 30 June 2019</b>	<b>144 598 412</b>	<b>144 598 412</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Statement of Financial Performance**

Figures in Rand	Note (s)	2019	2018
<b>Revenue</b>			
Sale of goods		402 217	204 442
Rental of facilities and equipment		496 652	465 319
Property rates	19	5 892 176	4 527 683
Service charges	20	9 060 606	9 904 817
Government grants & subsidies	21	46 388 024	42 013 699
Licenses and permits		369 343	172 168
Other income	22	35 536	755 184
Interest received - consumer accounts	27	3 857 153	3 607 909
Interest received - investment	27	150 657	289 512
<b>Total revenue</b>	<b>18</b>	<b>66 652 364</b>	<b>61 940 734</b>
<b>Expenditure</b>			
Personnel	24	(33 094 184)	(26 978 185)
Remuneration of councillors	25	(3 216 861)	(2 743 454)
Debt impairment	26	(3 459 243)	(8 861 177)
Depreciation and amortisation	28	(9 762 416)	(9 321 079)
Finance costs	29	(596 735)	(652 739)
Grants and Subsidies Paid - MSIG Expenditure	31	-	-
Repairs and maintenance		(1 903 398)	(871 232)
Bulk purchases	32	(1 499 464)	(1 200 242)
General expenses	23	(11 656 001)	(13 709 301)
<b>Total expenditure</b>		<b>(65 188 302)</b>	<b>(64 337 409)</b>
<b>Operating (deficit) surplus</b>		<b>1 464 062</b>	<b>(2 396 676)</b>
Gain on non-current assets held for sale or disposal groups		-	2 069 581
<b>(Deficit) surplus for the year</b>		<b>1 464 062</b>	<b>(327 095)</b>

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Cash Flow Statement**

Figures in Rand	Note (s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation / Sale of goods and services		4 859 413	5 410 109
Grants		46 388 024	42 013 699
Interest income from investing activities		150 657	289 512
Interest received from trading activities		3 857 153	3 607 909
		<u>55 255 247</u>	<u>51 321 230</u>
<b>Payments</b>			
Employee costs		(36 311 045)	(29 721 639)
Suppliers		(15 058 864)	(13 970 898)
Finance costs		(596 735)	(652 739)
Other payments		<u>(51 966 643)</u>	<u>(44 345 276)</u>
<b>Net cash flows from operating activities</b>	33	<u><b>3 288 603</b></u>	<u><b>6 975 954</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(204 600)	-1 004 469
Proceeds from sale of property, plant and equipment	4		
Purchase from other intangible assets	5	-	-
<b>Net cash flows from investing activities</b>		<u><b>(204 600)</b></u>	<u><b>(1 004 469)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease written off/New finance leases		-	(4 242 007)
Transfer to payables from exchange transactions			
Finance lease payments		(818 160)	-1 945 869
<b>Net cash flows from financing activities</b>		<u><b>(818 160)</b></u>	<u><b>(6 187 876)</b></u>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>2 265 843</b>	<b>(216 391)</b>
Cash and cash equivalents at beginning of year		92 996	309 387
<b>Cash and cash equivalents at end of the year</b>	10	<u><b>3 407 422</b></u>	<u><b>92 996</b></u>

# IKheis Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	4 367 871	0	4 367 871	5 892 176	1 524 305	Implementation of revenue enhancement programme
Service charges	8 971 150	-541 607	8 429 543	9 060 606	631 063	More indigents had been registered
Investment revenue	280 100	166 900	447 000	150 657	-296 343	
Transfers recognised - operational	27 328 000	571 200	27 899 200	26 312 835	-1 586 365	National Treasury: AG payments
Other own revenue	4 312 256	1 713 483	6 025 739	5 160 901	-864 838	Implementation of revenue enhancement programme only as well as implementation of contracts for outstanding debts
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>45 259 376</b>	<b>1 909 977</b>	<b>47 169 353</b>	<b>46 577 175</b>	<b>-592 178</b>	
<b>Expenditure by type</b>						
Employee costs	28 963 741	-102 489	28 861 252	33 094 184	4 232 932	Budget incorrect - not budgeted for the court order of the 32 workers
Remuneration of councillors	3 099 156	0	3 099 156	3 216 861	117 705	Budget incorrect - not adequately budgeted for upper limits
Debt impairment	-	5 884 000	5 884 000	3 459 243	-2 424 757	Council embarked on a process of debtors cleansing, hence the large impairment
Depreciation and asset impairment	4 531 566	0	4 531 566	9 762 416	5 230 850	Incorrect budget - FAR was not part of the SAMRAS assets management software
Finance charges	-	-	-	596 735	596 735	New Nashua Leases
Materials and bulk purchases	3 437 618	-40 000	3 397 618	1 499 464	-1 898 154	The cash flow challenges faced during the financial year contribute towards non payment of the Water board
Transfers and grants	-	1 338 000	1 338 000	-	-1 338 000	These expenses had been paid from other operational budget votes
Other expenditure	19 689 851	-6 033 392	13 656 459	13 559 399	-97 060	The cash flow challenges faced during the financial year contribute towards non payment of other commitments, but are included in the outstanding creditors list
<b>Total expenditure</b>	<b>59 721 932</b>	<b>1 046 120</b>	<b>60 768 052</b>	<b>65 188 302</b>	<b>4 420 250</b>	
<b>Surplus/(Deficit)</b>	<b>-14 462 556</b>	<b>863 857</b>	<b>-13 598 699</b>	<b>-18 611 127</b>	<b>-5 012 428</b>	

# IKheis Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Transfers recognised - capital	14 567 000	4 500 000	19 067 000	20 067 000	1 000 000	The expenses for EPWP had been not been included as capital expenses, but the surface of the the road, as a capital aseets had been done under this programme
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>104 444</b>	<b>5 363 857</b>	<b>5 468 301</b>	<b>1 455 873</b>	<b>-4 012 428</b>	
<b>Surplus/(Deficit) for the year</b>	<b>104 444</b>	<b>5 363 857</b>	<b>5 468 301</b>	<b>1 455 873</b>	<b>-4 012 428</b>	
<b>Reconciliation</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	650 000	-	650 000	3 521 041	2 871 041	
Consumer debtors	27 179 000	-	27 179 000	48 138 387	20 959 387	Impairment and VAT disclosure
Other debtors	-	-	-	1 006 787	1 006 787	Property rates disclosed as non-exchange transactions
Current portion of long-term receivables	-	-	-	-	-	
Inventory	-	-	-	178 429	178 429	Stock take at year end previously expensed
	<b>27 829 000</b>	<b>-</b>	<b>27 829 000</b>	<b>52 844 643</b>	<b>25 015 643</b>	
<b>Non-Current Assets</b>						
Property, Plant and Equipment	190 940 491	-	190 940 491	166 951 649	-23 988 842	Prior year adjustments updated FAR
Intangible	-	-	-	-	-	
	<b>190 940 491</b>	<b>-</b>	<b>190 940 491</b>	<b>166 951 649</b>	<b>-23 988 842</b>	
<b>Total Assets</b>	<b>218 769 491</b>	<b>-</b>	<b>218 769 491</b>	<b>219 796 292</b>	<b>1 026 801</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Bank overdraft	-	-	-	-	-	
Borrowing	-	-	-	-	-	Short term portion of borrowings
Consumer deposits	-	-	-	94 795	94 795	Incorrect budget
Trade and other payables	8 504 000	-	8 504 000	31 325 690	22 821 690	VAT payable on payment basis now disclosed
Provisions	-	-	-	5 817 591	5 817 591	
Other current liabilities				2 160 372	2 160 372	Short term portion of borrowings - Nashua leases
	<b>8 504 000</b>	<b>-</b>	<b>8 504 000</b>	<b>39 398 448</b>	<b>30 894 448</b>	

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Non-Current Liabilities</b>						
Borrowing	3 761 363	-	3 761 363	1 559 748	-2 201 615	Nashua leases
	<b>3 761 363</b>	-	<b>3 761 363</b>	<b>1 559 748</b>	<b>-2 201 615</b>	
<b>Total Liabilities</b>	<b>12 265 363</b>	-	<b>12 265 363</b>	<b>40 958 196</b>	<b>28 692 833</b>	
<b>Nett Assets</b>	<b>206 504 128</b>	-	<b>206 504 128</b>	<b>178 838 096</b>	<b>-27 666 032</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(deficit)	206 504 202	-	206 504 202	144 598 412	-61 905 790	Prior year adjustments updated FAR
<b>Total community wealth/equity</b>	<b>206 504 202</b>	-	<b>206 504 202</b>	<b>144 598 412</b>	<b>-61 905 790</b>	

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	4 367 871	0	4 367 871	-		4 367 871	5 892 176		-1 524 305	135%	135%
Service charges	8 971 150	-541 607	8 429 543	-		8 429 543	9 060 606		-631 063	107%	101%
Investment revenue	280 100	166 900	447 000	-		447 000	150 657		296 343	34%	54%
Transfers recognised - operational	27 328 000	571 200	27 899 200	-		27 899 200	26 312 835		1 586 365	94%	96%
Other own revenue	4 312 256	1 713 483	6 025 739	-		6 025 739	5 160 901		864 838	86%	120%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>45 259 376</b>	<b>1 909 977</b>	<b>47 169 353</b>	<b>-</b>		<b>47 169 353</b>	<b>46 577 175</b>		<b>592 178</b>	<b>99%</b>	<b>103%</b>
Employee costs	28 963 741	-102 489	28 861 252	-	-	28 861 252	33 094 184	-	-4 232 932	115%	114%
Remuneration of councillors	3 099 156	0	3 099 156	-	-	3 099 156	3 216 861	-	-117 705	104%	104%
Debt impairment	-	5 884 000	5 884 000	-	-	5 884 000	3 459 243	-	2 424 757	59%	#DIV/0!
Depreciation and asset impairment	4 531 566	0	4 531 566	-	-	4 531 566	9 762 416	-	-5 230 850	215%	215%
Finance charges	-	-	-	-	-	-	596 735	-	-596 735	#DIV/0!	#DIV/0!
Materials and bulk purchases	3 437 618	-40 000	3 397 618	-	-	3 397 618	1 499 464	-	1 898 154	44%	44%
Transfers and grants	-	1 338 000	1 338 000	-	-	1 338 000	-	-	1 338 000	0%	#DIV/0!
Other expenditure	19 689 851	-6 033 392	13 656 459	-	-	13 656 459	13 559 399	-	97 060	99%	69%
<b>Total expenditure</b>	<b>59 721 932</b>	<b>1 046 120</b>	<b>60 768 052</b>	<b>-</b>	<b>-</b>	<b>60 768 052</b>	<b>65 188 302</b>	<b>-</b>	<b>-4 420 250</b>	<b>107%</b>	<b>109%</b>
<b>Surplus/(Deficit)</b>	<b>-14 462 556</b>	<b>863 857</b>	<b>-13 598 699</b>	<b>-</b>	<b>-</b>	<b>-13 598 699</b>	<b>-18 611 127</b>	<b>-</b>	<b>5 012 428</b>	<b>-0</b>	<b>-0</b>

# !Kheis Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	14 567 000	4 500 000	19 067 000	-		19 067 000	20 067 000		-1 000 000	105%	138%
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>104 444</b>	<b>5 363 857</b>	<b>5 468 301</b>	<b>-</b>		<b>5 468 301</b>	<b>1 455 873</b>		<b>4 012 428</b>	<b>97%</b>	<b>132%</b>
<b>Surplus/(Deficit) for the year</b>	<b>104 444</b>	<b>5 363 857</b>	<b>5 468 301</b>	<b>-</b>		<b>5 468 301</b>	<b>1 455 873</b>		<b>4 012 428</b>	<b>97%</b>	<b>132%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	-	-	-	-		-	-		-	0%	0%
<b>Cash flows</b>											
Net cash from (used) operating	-6 303 853	-	-6 303 853	-		-6 303 853	3 288 603		-9 592 456	-52%	-52%
Net cash from (used) investing	16 905 000	-	16 905 000	-		16 905 000	-204 600		17 109 600	-1%	-1%
Net cash from (used) financing	-	-	-	-		-	-818 160		818 160	#DIV/0!	#DIV/0!
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10 601 147</b>	<b>-</b>	<b>10 601 147</b>	<b>-</b>		<b>10 601 147</b>	<b>2 265 843</b>		<b>8 335 304</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
Cash and cash equivalents at the beginning of the year	-1 097 000	-	-1 097 000	-		-1 097 000	92 996		-1 189 996	-8%	-8%
<b>Cash and cash equivalents at year end</b>	<b>9 504 147</b>	<b>-</b>	<b>9 504 147</b>	<b>-</b>		<b>9 504 147</b>	<b>2 358 839</b>		<b>7 145 308</b>	<b>25%</b>	<b>25%</b>



### **1.1. Presentation of Annual Financial Statements**

The annual annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

#### **1.1.1 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements.

#### **1.1.2 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statement. Significant judgement include:

##### **1.1.2.1 Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **1.1.2.2 Allowance for slow moving, damaged and obsolete stock**

An allowance is made for slow-moving, damaged and obsolete inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

**1.1.2 Significant judgements and sources of estimation uncertainty (Continued)**

**1.1.2.3 Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

**1.1.2.4 Provisions and contingent liabilities**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

**1.1.2.5 Useful lives of property, plant and equipment and intangible assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**1.1.2.6 Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

**1.1.2.7 GRAP 24: Presentation of Budget information**

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget
- the adjustment budget
- the actual amounts on a comparative basis

**1.1.2.8 Revenue Recognition**

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.1.2.9 Financial Assets and Liabilities**

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

### **1.1.2 Significant judgements and sources of estimation uncertainty (Continued)**

#### **1.1.2.10 Impairment of Financial Assets**

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

#### **1.1.2.11 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property**

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### **1.1.2.12 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories**

Accounting Policy 7 on *Impairment of Assets*, Accounting Policy 4.2 on *Intangible Assets – Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

#### **1.1.2.13 Water Inventory**

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 6 - Inventory.

#### **1.1.2.14 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.1.2 Significant judgements and sources of estimation uncertainty (Continued)

#### 1.1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE	Expected impact:
• GRAP 18	Segment Reporting - issued March 2005	01 April 2019	No significant impact is expected
			The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.
• GRAP 20	Related Party Disclosures (Revised)	01 April 2019	
• GRAP 32	Service Concession Arrangement Grantor	01 April 2019	No significant impact is expected
	Transfers between Entities under common control - issued November 2010		
• GRAP 105	Transfers between Entities not under common control - issued November 2010	01 April 2019	No significant impact is expected
• GRAP 106	Mergers - issued November 2010	01 April 2019	No significant impact is expected
• GRAP 107			No significant impact is expected
			The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.
• GRAP 108	Statutory Receivables	01 April 2019	
• GRAP 109	Accounting by Principles and Agents	01 April 2019	No significant impact is expected
• GRAP 110	Living and Non-Living resources	01 April 2020	No significant impact is expected
• IGRAP 17	Service Concession Arrangement Grantor	Unknown	No significant impact is expected

**Accounting Policies**

**1.2. Property, plant and equipment (Continued)**

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**1.2.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

**1.2.2 Subsequent Measurement**

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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**1.2.3 Depreciation**

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

The useful lives of items of property, plant and equipment have been assessed as follows:

**Buildings**

- Buildings	25-30 Years
- Improvements	25-30 Years
- Recreational Facilities	20-30 Years

**Infrastructure**

- Roads and paving	30 Years
- Pedestrian malls	15-30 years
- Electricity	15-20 years
- Water resevoirs	30-50 years
- Sewerage pump stations	30-55 years
- Housing	25-30 years

**Other property, plant and equipment**

- Specialist vehicles	5-10 years
- Other vehicles	4-7 years
- Office equipment	5-7 years
- Furniture and Fittings	5-7 years
- Bins and containers	5 years
- Specialized plant and equipment	10-15 years
- Other plant and equipment	2-5 years
- Landfill sites	10 - 15 years
- Lease hold property	3-5 years
- Security	3-5 years

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

**1.2.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

**1.2.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

### **1.2. Property, plant and equipment (continued)**

#### **1.2.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### **1.2.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **1.2.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

### **1.3. Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

**Intangible assets (continued)**

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

**1.4. Financial Instruments Classification**

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

**Initial recognition and measurement**

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.



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**1.4. Financial Instruments Classification (continued)**

**Subsequent measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Consumer deposits are subsequently recorded in accordance with the accounting policy of trade and other payable.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

**Fair value determination**

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investment are based on current bid prices

If the market for a financial asset is not active ( and for unlisted securities ) , municipality established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs.

**The Effective Interest Rate Method**

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

**Amortised Cost**

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

**1.4.1 Impairment of financial assets**

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

**1.4. Financial Instruments Classification (continued)**

**1.4.1 Impairment of financial assets (Continued)**

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
  
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or
  
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP
Non-current Investments	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Non-current Investments	Financial Assets at Amortised Cost
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

## **!Kheis Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

#### **1.4. Financial Instruments Classification (continued)**

##### **1.4.2 Financial Liabilities – Classification (Continued)**

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost
Short-term Loans	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank Overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

##### **1.4.3 Initial and Subsequent Measurement**

###### **1.4.3.1 Financial Assets:**

###### **Financial Assets measured at Amortised Cost**

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

###### **Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

###### **1.4.3.2 Financial Liabilities:**

###### **Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

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#### **1.4. Financial Instruments Classification (continued)**

##### **Financial Liabilities held at Amortised Cost (Continued)**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

##### **1.4.3.3 Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncorrectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

##### **1.4.3.4 Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **1.4.3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

##### **1.4.3.6 Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

##### **1.4.3.7 Derivatives**

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

#### **1.4. Financial Instruments Classification (continued)**

##### **1.4.3.8 Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

##### **1.4.3.9 Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on an available - for - sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until financial assets is derecognised, at time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus

- or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process

##### **1.4.3.10 Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

#### **1.5. Leases**

##### **1.5.1 Classification**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

**1.5. Leases (Continued)**

**1.5.2 The Municipality as Lessee**

**1.5.2.1 Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

**1.5.2.2 Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

**1.5.3 The Municipality Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred

**1.5.4 Determining whether an Arrangement contains a Lease**

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

**1.6. Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

### **1.6. Inventories (continued)**

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.7. Impairment of cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

#### **(a) External sources of information**

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### **(b) Internal sources of information**

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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### **1.7. Impairment of cash-generating assets (continued)**

#### **1.7.1 Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **1.7.2 Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### **1.7.3 Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### **1.7.4 Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **1.7.5 Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:



### **1.7. Impairment of cash-generating assets (Continued)**

#### **1.7.5 Cash-generating units (Continued)**

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets,

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

#### **1.7.6 Reversal of impairment loss**

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.7. Impairment of cash-generating assets (continued)**

#### **1.7.7 Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

#### **1.7.8 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Useful life is either:

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **1.7.9 Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### **1.7.10 Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### **1.7.11 Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

## **1.7. Impairment of cash-generating assets (continued)**

### **1.7.12 Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

### **1.7.13 Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

### **1.7.14 Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.7.15 Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.7.18 Redesignation**

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

**1.8. Employee benefits**

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Employee benefits are all forms of consideration given by an entity in exchange for service rendered by

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**1.8.1 Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

**Accounting Policies**

**1.8. Employee benefits (continued)**

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**1.8.1 Short-term employee benefits (continued)**

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

**1.8.2 Long Service Awards**

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

**1.8.3 Provisions and contingencies**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

**1.8. Employee benefits (continued)**

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**1.8.3 Provisions and contingencies (continued)**

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

**1.8. Employee benefits (continued)**

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**1.8.3 Provisions and contingencies (continued)**

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

**1.9. REVENUE RECOGNITION**

**1.9.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**1.9.2 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue consists primarily of grants of National- and Provincial Government, service charges, rentals, interest received and other service rendered

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1

## **1.9. REVENUE RECOGNITION (Continued)**

### **1.9.2.1 Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **1.9.2.2 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **1.9.2.3 Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage and water.

### **1.9.2.4 Interest**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.



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**1.9. REVENUE RECOGNITION (Continued)**

**1.9.2.5 Service Charges**

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the number of refuse collections on each property during the week.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

**1.9.2.6 Rentals Received**

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the

**1.9.2.7 Finance Income**

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional

**1.9.2.8 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

**1.9.2.9 Royalties**

Royalties are recognised on an *Accrual Basis* in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a *Straight-line Basis* over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

**1.9.2.10 Tariff Charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

**1.9.2.11 Revenue from Agency Services**

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

**1.9. REVENUE RECOGNITION (Continued)**

**1.9.2.12 Sale of Goods (including Houses)**

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.9.2.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

**1.9.3 Revenue from Non-exchange Transactions**

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

**1.9.3.1 Rates and Taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**1.9.3.2 Fines**

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

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**1.9. REVENUE RECOGNITION (Continued)**

**1.9.3.3 Public Contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

**1.9.3.4 Government Grants and Receipts**

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

**1.10. Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

**1.11. Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the

### **1.12. Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.13. Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.14. Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- 
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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**1.15. Use of estimates**

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

**1.16. Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

**1.17. Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**1.18. Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

**1.19. Segmental information**

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

**1.20. Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2016/06/30.

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

**!Kheis Local Municipality**

Annual Financial Statements for the year ended 30 June 2019

**Accounting Policies****1.21. Related parties**

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The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSA 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling, the activities of the entity, We regard all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the municipal manager as key management per the definition of the financial reporting standard.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2018

**Notes to the Annual Financial Statements**

Figures in Rand	2019	2018
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**2. Changes in accounting policy**

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2018 is as follows:

**Statement of financial position****Cash flow statement**

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

**3. Reclassification of items in the Financial Statements as a result of the implementation of mSCOA**

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
<b>Statement of Financial Position</b>			
Other financial assets	106 476	-	106 476
Inventories	286 401	-	286 401
Other receivables from non-exchange transactions	3 766 995	-	3 766 995
VAT receivable	52 050	-	52 050
Trade and other receivables from exchange transactions	22 098 389	-	22 098 389
Cash and cash equivalents	92 250	-	92 250
Property, plant and equipment	135 843 160	-	135 843 160
Unspent conditional grants and receipts	7 108 244	-	7 108 244
Provisions	4 089 111	-	4 089 111
Short-term portion of Long Service Awards	12 440	-	12 440
Payables from exchange transactions	20 233 284	-	20 233 284
VAT payable	1 029 348	-	1 029 348
Current portion of non-current liabilities	874 830	-	874 830
Consumer deposits	90 031	-	90 031
Finance lease obligation	874 830	-	874 830
Long-term portion of Long Service Awards	269 607	-	269 607
Accumulated surplus / (deficit)	143 461 642	-	143 461 642
		<u>-</u>	
		<u>-</u>	

**!Kheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2018

**Notes to the Annual Financial Statements**

	<b>Balance previously reported</b>	<b>Adjustments</b>	<b>Balance previously reported</b>
<b>Statement of Financial Performance</b>			
Sale of goods	204 442	-	204 442
Rental of facilities and equipment	465 319	-	465 319
Property rates	4 527 683	-	4 527 683
Service charges	9 904 817	-	9 904 817
Government grants & subsidies	42 013 699	-	42 013 699
Licenses and permits	172 168	-	172 168
Recoveries	-	-	-
Other income	755 184	-	755 184
Interest received - consumer accounts	3 607 909	-	3 607 909
Interest received - investment	289 512	-	289 512
Personnel	(26 978 185)	-	(26 978 185)
Remuneration of councillors	(2 743 454)	-	(2 743 454)
Debt impairment	(8 861 177)	-	(8 861 177)
Depreciation and amortisation	(9 321 079)	-	(9 321 079)
Finance costs	-	-	-
Grants and Subsidies Paid - Operational (UDS Toilets)	-	-	-
Repairs and maintenance	(871 232)	-	(871 232)
Bulk purchases	(1 200 242)	-	(1 200 242)
General expenses	(14 909 543)	-	(14 909 543)
Gain on non-current assets held for sale or disposal groups	2 038 307	-	2 038 307
<b>Net Surplus/(Deficit) for the year</b>	<b>(905 871)</b>	<b>-</b>	<b>(905 871)</b>



**IKheis Local Municipality**  
**Annual Financial Statements for the year ending 30 June 2019**  
**Notes to the Annual Financial Statements**

Figures in Rand	2019	2018
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**4. Property, plant and equipment**

	2019			2018		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land & Buildings	-	-	-	-	-	-
Infrastructure	138 343 056	-69 767 464	68 575 591	138 339 005	-63 353 320	74 985 685
Community	11 515 795	-7 006 757	4 509 038	12 380 254	-6 799 710	5 580 544
Other property, plant and equipment	66 023 883	-11 616 808	54 407 075	65 524 057	-10 247 126	55 276 931
Lease hold assets	3 629 718	-1 673 834	1 955 884	3 629 718	-524 308	3 105 410
<b>Total</b>	<b>219 512 452</b>	<b>-90 064 863</b>	<b>129 447 589</b>	<b>219 873 034</b>	<b>-80 924 464</b>	<b>138 948 570</b>

**Work in progress**

	37 504 060	<b>Work in progress</b>	22 402 853
- Buildings	-	- Buildings	-
- Infrastructure Assets	37 504 060	- Infrastructure Assets	22 198 253
- Community Assets	-	- Community Assets	204 600
- Other Property Plant and Equipment	-	- Other Property Plant and Equipment	-
<b>Total</b>	<b>166 951 649</b>		<b>161 351 423</b>

**Reconciliation of property, plant and equipment - 2019**

	Opening balance	Prior year adjustments	Additions	Transfers	Prior year adjustments	Depreciation	Total
Land		-	-	-		-	-
Infrastructure	74 985 685	4 051	-	-	-10 788	-6 403 356	68 575 591
Community	5 580 544	-1 069 059	204 600	-	773 089	-980 136	4 509 038
Other property, plant and equipment	59 736 829	-3 971 222	11 150	-	-186 860	-1 182 821	54 407 075
Other lease assets	3 105 410	-	-	-		-1 149 526	1 955 884
Work in progress	22 402 853		15 101 207	-	-		37 504 060
	<b>165 811 322</b>	<b>-5 036 230</b>	<b>15 316 957</b>	<b>-</b>	<b>575 440</b>	<b>-9 715 840</b>	<b>166 951 649</b>

**Reconciliation of property, plant and equipment - 2018**

	Opening balance	Additions	Disposals	Other changes - movements	Depreciation	Total
Land	54 507 202				-394 945	-
Infrastructure	79 070 887	593 763		1 630 045	-6 309 010	74 985 685
Community	6 487 803	189 198		-67 548	-1 028 910	5 580 543
Other property, plant and equipment	1 964 006	221 508	-	-285 851	-737 562	1 162 100
Other lease assets	4 242 007	-	-	-612 289	-524 308	3 105 411
Work in progress	37 484 707	-	-	-15 081 854		22 402 853
	<b>183 756 612</b>	<b>1 004 469</b>	<b>-</b>	<b>-14 417 497</b>	<b>-8 994 735</b>	<b>107 236 592</b>

**Assets subject to finance lease (net carrying value)**

No assets have been pledged as collateral for liabilities of the municipality

**5. Other financial assets**

**At amortised cost**

**Unlisted Investments**

First National Bank - Branch: Groblershoop, Account number 711297993876  
Interest rate: 6,38%, Investment term is 12 months

113 619 105 730

**113 619 105 730**

No investment have been pledged as collateral for liabilities of the municipality

**6. Inventories**

Inventories	89 668	215 593	Prior year calculation
Water	88 761	70 808	
	<b>178 429</b>	<b>286 401</b>	

As the municipality do not made use of a formal inventory system, and inventory are determined via a stock take at year end of all unused materials.  
Inventory are recorded through the adjustment journals set off against repairs and maintenance expenses.

**Inventory pledged as security**

No inventories have been pledged as collateral for liabilities of the municipality

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****7. Receivables from non-exchange transactions**

Rates and other taxes	-	-
Property Rates	13 616 863	21 018 942
Impairment	-	-7 765 261
Housing Suspense Debtor	-	-
Various controls	-9 794 175	880 866
Sundry Debtors	2 687 216	1 856 782
Debtors not yet allocated	-	-9 794 175
	<b>6 509 904</b>	<b>6 197 153</b>

**8. VAT receivable/ (payable)**

VAT receivable	1 006 787	1 029 348
VAT payable	-	-

The municipality is registered at SARS on the payments basis. Only once payment is received from debtors, VAT is paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

**9. Trade and other receivables from exchange transactions****Gross balances**

Water	15 501 133	14 085 293
Sewerage	8 995 918	8 171 287
Refuse	13 597 422	12 355 336
Agriculture	-	-
Business and Commercial	-	-
National Government	-	-
Developed	-	-
Other debtors	3 534 010	3 765 347
VAT debtors	-	-
	<b>41 628 483</b>	<b>38 377 263</b>

**Less: Allowance for impairment**

Water	-	-10 846 671
Sewerage	-	-6 280 516
Refuse	-	-9 504 019
Other debtors	-	-2 901 348

**Net balance**

	-	-29 532 555
Water	15 501 133	3 238 622
Sewerage	8 995 918	1 890 772
Refuse	13 597 422	2 851 316
Other debtors	3 534 010	863 999
VAT debtors	-	-
	<b>41 628 483</b>	<b>8 844 709</b>
Less: Debtors with credit balances	-	-
<b>Net balance of trade and receivables from exchange transaction</b>	<b>41 628 483</b>	<b>8 844 709</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements**

Age analysis as per services (segments) excluding debtors with credit balances.

**Rates**

Current (0 - 30 days)	5 120	87 597
31 - 60 days	601 216	1 198 861
61 - 90 days	28 631	231 037
91 - 120 days	52 585	89 325
121 - 365 days	10 802 882	9 617 947
	<b>11 490 434</b>	<b>11 224 767</b>

**Water**

Current (0 - 30 days)	-8 561	291 354
31 - 60 days	240 946	245 813
61 - 90 days	260 724	281 015
91 - 120 days	341 047	182 558
121 - 365 days	13 113 995	13 084 553
> 365 days	-	-
	<b>13 948 151</b>	<b>14 085 293</b>

**Sewerage**

Current (0 - 30 days)	-173	-119 813
31 - 60 days	161 553	94 721
61 - 90 days	156 208	105 487
91 - 120 days	155 450	100 933
121 - 365 days	7 366 996	7 989 959
> 365 days	-	-
	<b>7 840 033</b>	<b>8 171 287</b>

**Refuse**

Current (0 - 30 days)	-210	161 731
31 - 60 days	217 766	152 723
61 - 90 days	206 894	169 480
91 - 120 days	203 556	159 337
121 - 365 days	11 036 863	11 712 065
> 365 days	-	-
	<b>11 664 869</b>	<b>12 355 336</b>

**Other (specify)**

Current (0 - 30 days)	-	26 961
31 - 60 days	14 000	22 315
61 - 90 days	14 137	26 117
91 - 120 days	14 254	26 040
121 - 365 days	-575 024	3 663 914
	<b>-532 633</b>	<b>3 765 347</b>

**Total**

<b>44 410 854</b>	<b>49 602 030</b>
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**Summary of debtors by customer classification****Consumers**

Current (0 - 30 days)	-3 545 481	-7 749 278
31 - 60 days	579 638	684 026
61 - 90 days	481 654	-
91 - 120 days	579 786	-
121 - 365 days	40 438 668	49 273 149
	<b>38 534 265</b>	<b>42 207 897</b>

**Industrial/Commercial**

Current (0 - 30 days)	-186 829	-275 748
31 - 60 days	434 404	159 247
61 - 90 days	127 651	-
91 - 120 days	144 432	-
121 - 365 days	2 825 933	5 764 184
	<b>3 345 591</b>	

**Churches**

Current (0 - 30 days)	-38 543	-2 387
31 - 60 days	9 545	97 816
61 - 90 days	7 474	-
91 - 120 days	7 490	-
121 - 365 days	461 348	1 651 021
	<b>447 313</b>	<b>1 746 450</b>

**Agriculture**

Current (0 - 30 days)	-2 321 073	-2 387
31 - 60 days	1 250	97 816
61 - 90 days	27 430	-
91 - 120 days	736	-
121 - 365 days	2 586 704	1 651 021
	<b>295 048</b>	<b>5 647 683</b>

**National and provincial government**

Current (0 - 30 days)	-67 381	-2 387
31 - 60 days	64 582	97 816
61 - 90 days	24 455	-
91 - 120 days	37 265	-
121 - 365 days	1 808 130	1 651 021
	<b>1 867 051</b>	<b>1 746 450</b>

**Total**

Current (0 - 30 days)	-6 159 307	-8 027 413
31 - 60 days	1 089 419	941 090
61 - 90 days	668 664	-

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements**

91 - 120 days	769 709	-
121 - 365 days	48 120 783	56 688 353
	<b>44 489 268</b>	<b>49 602 030</b>
Less: Allowance for impairment	-30 778 938	-37 297 815
	<b>13 710 330</b>	<b>12 304 216</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	-37 297 815	-28 436 638
Contributions to allowance	-2 236 449	-8 861 177
Less: Bad debts written-off/Corrections	8 755 325	-
	<b>-30 778 938</b>	<b>-37 297 815</b>

**Receivables from Non-Exchange transactions**

Other debtors include outstanding debtors for various other services, e.g. rentals, sundry, etc.

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

**Consumer debtors pledged as security**

None of the consumer debtors were pledged as security for any financial liability.

**Interest on consumer accounts**

No interest were charged/levied on arrear consumer (debtors) accounts.

**Consumer debtors impaired**

As of 30 June 2018, consumer debtors of R 37 297 816 - (2017: R36 166 625) were impaired and provided for. In determining the recoverability of a consumer debtor, the municipality consider any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period.

**10. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	398	1 526
Bank balances	1 718 325	90 724
Short-term deposits	1 688 698	746
	<b>3 407 422</b>	<b>92 996</b>

**Credit quality of cash at bank and short term deposits, excluding cash on hand**

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings, if available:

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Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-19	30-Jun-18	30-Jun-17
First National Bank. Branch: Groblershoop Account number: 62026193441	144 628	180 262	109 440	-1 718 325	90 724	108 990
First National Bank. Branch: Groblershoop Account number 62150559486 - FMG/MSIG	192	40	73 988			
First National Bank. Branch: Groblershoop Account number 62304431828 - Library Account	5 078	46	37 894			
First National Bank. Branch: Groblershoop Account number 62304432123 - LOTTO account	82	82	1 182			
First National Bank. Branch: Groblershoop Account number 62102417567 - MIG Account	1 682 678	49	17 142			
First National Bank. Branch: Groblershoop Account number 71129793876 - BUSS Eff	113 619	105 731	97 972	1 802 317	106 476	298 818
First National Bank. Branch: Groblershoop Account number 62364746986 - Pula Nala	28	28	6			
First National Bank. Branch: Groblershoop Account number 62364746580 - EPWP Account	641	501	70 635			
First National Bank. Branch: Groblershoop Account number 71197351979 - Fixed Deposit	-	-	-			
<b>Total</b>	<b>1 946 946</b>	<b>286 739</b>	<b>408 258</b>	<b>83 992</b>	<b>197 200</b>	<b>407 808</b>

**11. Finance lease obligation**

**Minimum lease payments due**

- within one year	874 830	874 830
- in second to fifth year inclusive	1 559 748	2 377 908
	2 434 578	3 252 738
less: future finance charges	-961 121	-969 004
<b>Present value of minimum lease payments</b>	<b>1 473 457</b>	<b>2 283 734</b>

**Present value of minimum lease payments due**

- within one year	1 105 287	500 428
- in second to fifth year inclusive	2 808 831	1 783 306
- less interest	-	-
	<b>3 914 118</b>	<b>2 283 734</b>
Less: Amount re allocated for short term portion	874 830	874 830

It is municipality policy to lease certain equipment under finance leases.

The municipality enters into a new lease agreement on 27 July 2017 of the previous financial year. The previous lease agreements has been cancelled. The average lease term was 5 years and the average effective borrowing rate was 15% (2017: 15%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

**IKheis Local Municipality**  
Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

**12. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

Water Service Infrastructure Grant	997 883	5 013 734
MIG Grants	681 329	1 533 679
Library Grant	-393 670	560 831
	<b>1 285 543</b>	<b>7 108 244</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

The municipality has complied with all the conditions set by the transferring organs of state or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

**13. Provisions**

Opening balance	4 089 111	3 803 824
Contribution for the year	1 327 003	285 287
Change in Provision for Rehabilitation costs	-	-
<b>Total provision</b>	<b>5 416 114</b>	<b>4 089 111</b>

**Reconciliation of provisions – 2019**

	Opening Balance	Additions	Total
Environmental rehabilitation	4 089 111	1 327 003	5 416 113
	<b>4 089 111</b>	<b>1 327 003</b>	<b>5 416 113</b>

**Reconciliation of provisions – 2018**

	Opening Balance	Additions	Total
Environmental rehabilitation	3 803 824	285 287	4 089 111
	<b>3 803 824</b>	<b>285 287</b>	<b>4 089 111</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). This provision adjusted according to new calculation by Consulting Engineers.

The consultants find that the landfill sites are non-compliant according to Chapter 3 of National Environmental Management Act (Act 107 of 1998) and Chapter 4, Section 20 and Chapter 7, Section 67 (1) (a) of the National Environmental Management: Waste Act, (Act 59 of 2008).

Some of the landfill sites are at a capacity of 80%, based on the calculations, we can dump waste for at least two additional years.

**14. Employee benefit obligations**

	Opening Balance	Additions	Total	2018
Long Service Awards	257 167	119 431	376 598	197 365
	<b>257 167</b>	<b>119 431</b>	<b>376 598</b>	<b>197 365</b>

**Long Service Awards**

Balance 01 July 2018		269 607	<b>393 579</b>
Contributions for the year		119 431	<b>-123 972</b>
Expenditure for the year		-	-
Actuarial Loss/(gain)		-	-
<b>Total provision 30 June 2019</b>		<b>389 038</b>	<b>269 607</b>
Less: transfer of current portion to current liabilities		<b>12 440</b>	<b>12 440</b>
<b>Balance 30 June 2019</b>		<b>401 478</b>	<b>257 167</b>

Long service awards calculation are based on the Bargaining Councils Collective Agreement and only become applicable on completion of a predetermined cycle. In other words a ten year long service awards, only materialised once a person completed ten years of services.

**15. Payables from exchange transactions**

Bonus and leave accruals	4 140 970	2 475 447
Debtors with credit balances	-2 499 273	669 068
DWAF Funds water	-	-
Payment received in advanced - Unallocated deposits	-	-
Retention creditors		
Suspense creditors	4 223	-
Trade payables	18 976 505	12 943 652
3rd Party payments	10 703 265	3 863 071
	<b>31 325 690</b>	<b>19 951 238</b>

Payables are being recognised nett of any discounts. The carrying value of trade and other payables approximates its fair value. All payables are unsecured. Debtors with credit balances represents payments received in advance.

**16. Current portion of borrowings**

DBSA loan - Short term portion	-	-
Nashua leases - Short term portion	874 830	1 987 810
	<b>874 830</b>	<b>1 987 810</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****17. Consumer deposits**

Water	94 795	90 031
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The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts

**18. Revenue**

Government grants & subsidies	46 388 024	42 013 699
Interest received - Consumer accounts	3 857 153	3 607 909
Interest received - investment	150 657	289 512
Licences and permits	369 343	172 168
Other income	35 536	755 184
Property rates	5 892 176	4 527 683
Recoveries	-	-
Rental of facilities and equipment	496 652	465 319
Sale of goods	402 217	204 442
Service charges	9 060 606	9 904 817
	<b>66 652 364</b>	<b>61 940 734</b>

The amount included in revenue arising from exchanges of goods or services

are as follows:

Interest received - Consumer accounts	3 857 153	3 607 909
Interest received - investment	150 657	289 512
Licences and permits	369 343	172 168
Other income	35 536	755 184
Recoveries	-	-
Rental of facilities and equipment	496 652	465 319
Sale of goods	402 217	204 442
Service charges	9 060 606	9 904 817
	<b>14 372 164</b>	<b>15 399 351</b>

The amount included in revenue arising from non-exchange transaction

are as follows:

**Taxation revenue**

Property rates	5 892 176	4 527 683
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**Transfer revenue**

Government grants & subsidies	46 388 024	42 013 699
	<b>52 280 200</b>	<b>46 541 383</b>

**19. Property rates****Rates received**

Residential	<b>5 892 176</b>	<b>4 527 683</b>
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**Valuations**

Residential	116 963 000	98 160 000
Commercial	31 240 000	31 240 000
State	41 707 000	41 707 000
Municipal	235 622 000	287 434 000
Small holdings and farms	1 796 158 000	1 677 710 000
Public Worship	9 330 000	9 330 000
Other - Vacant land	3 162 000	3 162 000
	<b>2 234 182 000</b>	<b>2 148 743 000</b>

Property rates are levied on the value of land and improvements. Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Council submitted an application for extension of the current valuation roll to Coghsta, which had been approved.

Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 June 2019

The new general valuation will be implemented on 01 July 2019

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.0105c/R (2017: 0.0098c/R)

Business Properties: 0.0131c/R (2017: 0.0123c/R)

Agricultural Properties: 0.0021c/R (2017: 0.0019c/R)

State Properties: 0.0025c/R (2017: 0.023c/R)

The first R 15 000 (2018: R 15 000) of the valuation of all residential properties are exempted from the calculation of rates.

**20. Service charges**

Refuse removal	2 714 255	3 202 136
Sale of water	3 959 936	4 253 798
Sewerage and sanitation charges	2 182 483	2 448 883
	<b>8 856 674</b>	<b>9 904 817</b>

The amount disclosed above for revenue from service charges are in respect of services rendered which are billed to the customers on a monthly basis according to approved tariffs



**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****21. Government grants and subsidies****Operating grants and subsidies**

Equitable Share	23 149 430	21 454 000
Finance Management Grant	2 415 000	2 345 000
Library Grant	750 000	890 172
SPLUMA	-	-
National Treasury Allocation - Audit fees	2 840 080	877 818
National Treasury - Debt written off and interest reversal	-2 841 674	3 696 122
	<u>26 312 835</u>	<u>29 263 112</u>

**Capital grants**

Water Income - DWA	-	-
Lotto sportgronde	-	-
Expanded Public Works Programme (EPWP)	1 000 000	1 000 000
Municipal Infrastructure Grant (MIG)	10 567 000	9 264 321
Water Service Infrastructure Grant	8 500 000	2 486 266
	<u>20 067 000</u>	<u>12 750 587</u>
	<u>46 379 835</u>	<u>42 013 699</u>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants received	26 312 835	29 263 112
Unconditional grants received	20 067 000	12 750 587
	<u>46 379 835</u>	<u>42 013 699</u>

**Equitable Share**

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R383,11 - (2018: R 340.01), which is funded from the grant.

**MIG Grant**

Balance unspent at beginning of year	1 533 679	-
Current-year receipts	10 798 000	10 798 000
Conditions met - transferred to revenue	-11 650 350	-9 264 321
	<u>681 329</u>	<u>1 533 679</u>

Sydney

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads infrastructure as part of the upgrading of informal settlement areas. The grant was also allocated for the readication of the bucket system by building UDS toilets for the community of !Kheis.

**Water Service Infrastructure Grant**

Balance unspent at beginning of year	5 013 734	-
Current-year receipts	8 500 000	7 500 000
Conditions met - transferred to revenue	-12 515 851	-2 486 266
	<u>997 883</u>	<u>5 013 734</u>

Journal

The purpose of the grant is to fund internal infrastructure for water services at a basic level of service.

**Expanded Public Works Programme (EPWP)**

Balance unspent at beginning of year	-	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	-1 000 000
	<u>-</u>	<u>-</u>

The grant is to utilised for salary expenses in regards to the expanded public works programme. The grant is in regards to the upgrading of the municipal offices. Grants received for the upgrading of the municipal offices and upgrading of internal streets.

**Finance Management Grant**

Current-year receipts	2 415 000	2 345 000
Conditions met - transferred to revenue	-2 415 000	-2 345 000
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**SPLUMA**

Balance unspent at beginning of year	-	-
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>-</u>	<u>-</u>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements**

The purpose of the grant is to provide a framework for spatial planning and land use management for municipalities.

**Library Grant**

Balance unspent at beginning of year	560 830	544 002
Current-year receipts	-	907 000
Conditions met - transferred to revenue	-954 500	-890 172
	<b>-393 670</b>	<b>560 830</b>

Conditions still to be met - remain liabilities (see note 15).

The grant is to utilised for the programme cost of the library and other costs as per the library proposal.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 2 financial years.

**22. Other revenue**

Other income	35 536	755 184
	<b>35 536</b>	<b>755 184</b>

**Other income**

Administrative handling fees	101	681767.99
Building Plan fees	11 644	9 749
Cemetaries	-	2 718
Clearance Certificates	7 906	6 327
Faxes	-	-
Graves fees	-	-
Grazing fees	-	26 580
Hawkers Licenses	-	-
Miscellaneous Income	-	-
Photocopies	8 342	199
Prints	-	5 983
Refuse removal	-	-
Tender documents	6 098	21 859
Transport	-	-
Valuation Certificates	-	-
	<b>35 536</b>	<b>755 184</b>

**23. General expenses**

Administrative Costs	-	-
Advertising	22 388	161 453
Auditors remuneration	574 023	2 008 550
Bank charges	79 685	101 952
Chemicals	430 061	56 531
Cleaning	107 014	134 929
Computer expenses	9 952	4 197
Consulting and professional fees	2 812 879	5 582 996
Electricity	2 112 409	2 851 601
Entertainment	3 962	2 256
Fuel and oil	351 283	335 911
Insurance	263 054	228 093
Daily Allowances	26 874	45 385
Other expenses	651 785	201 946
Postage and courier	65 356	4 710
Printing and stationery	117 678	62 921
Protective clothing	34 287	51 566
Royalties and license fees	390 192	286 717
Idigent Relief & Temporary workers	299 995	965 419
Security	11 034	9 266
Subsistence Allowances	109 718	140 339
Subscriptions and membership fees	1 925 464	306 561
Telephone and fax	201 625	165 862
Transfers and grants: Operational expenditure	1 052 839	-
Travel - local	2 446	141
	<b>11 656 001</b>	<b>13 709 301</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****24. Employee related costs**

Basic	22 201 423	18 482 555
Bonus	2 396 559	1 739 929
Housing benefits and allowances	393 619	554 956
Leave pay provision charge	953 520	258 623
Medical aid-company contributions	290 378	321 129
Pensionfund Contributions	2 529 220	2 223 196
Shift Allowance	15 050	15 400
Skills Development Levies	228 486	207 027
Training Levies	-	-
Travel, motor car, accomodation, subsistence and other allowances	3 886 420	2 552 162
UIF	199 510	623 208
	<b>33 094 184</b>	<b>26 978 185</b>

**Remuneration of Acting Municipal Manager -JTF Leeuw**

Annual Remuneration	453 331	96 330
Car Allowance	161 133	17 567
Cellphone Allowance	12 000	534
Contributions to UIF, Medical and Pension Funds	1 190	19 005
	<b>627 654</b>	<b>133 437</b>

**Remuneration of Acting Municipal Manager - D Jacobs**

Annual Remuneration	132 247	215 396
Car Allowance	-	123 957
Cellphone Allowance	-	3 740
Contributions to UIF, Medical and Pension Funds	-	2 082
	<b>132 247</b>	<b>345 175</b>

**Remuneration of Chief Finance Officer - JD Block**

Annual Remuneration	411 146	485 673
Car Allowance	107 532	141 494
Cellphone Allowance	6 000	4 808
Contributions to UIF, Medical and Pension Funds	12 529	141 674
	<b>537 207</b>	<b>773 649</b>

**Remuneration of Acting Chief Financial Officer - W Weilbach**

Annual Remuneration	-	499 734
Car Allowance	-	74 240
Cellphone Allowance	-	5 000
Contributions to UIF, Medical and Pension Funds	-	54 520
	<b>-</b>	<b>633 494</b>

**Remuneration of Acting Corporate Manager - S Jansen**

Annual Remuneration	61 447	-
Car Allowance	-	-
Cellphone Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
	<b>61 447</b>	<b>-</b>

**Remuneration of Acting Chief Finance Officer - S Mahonie**

Annual Remuneration	150 298	175 197
Car Allowance	81 032	52 509
Cellphone Allowance	5 000	1 731
Contributions to UIF, Medical and Pension Funds	-	18 233
	<b>236 330</b>	<b>247 669</b>

**Corporate and Human Resources (Corporate Services) - G Baster**

Annual Remuneration	309 966	637 614
Car Allowance	113 445	190 113
Cellphone Allowance	7 000	6 411
Contributions to UIF, Medical and Pension Funds	1 041	165 593
	<b>431 452</b>	<b>999 732</b>

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****Remuneration of Technical Director - D Dolopi**

Annual Remuneration	629 268	613 726
Car Allowance	203 055	190 113
Cellphone Allowance	12 000	6 411
Contributions to UIF, Medical and Pension Funds	106 956	3 569
	<b>951 279</b>	<b>813 819</b>

**Corporate and Human Resources (Corporate Services) - D Van Der Westhuizen**

Annual Remuneration	236 165	526 709
Car Allowance	81 032	162 064
Cellphone Allowance	5 000	5 343
Contributions to UIF, Medical and Pension Funds	2 235	2 974
	<b>324 432</b>	<b>697 090</b>

**Remuneration of Technical Director - D Jacobs**

Annual Remuneration	328 255	672 485
Car Allowance	123 871	197 905
Cellphone Allowance	9 000	6 411
Contributions to UIF, Medical and Pension Funds	51 537	156 479
	<b>512 663</b>	<b>1 033 280</b>

**Remuneration of Community Service Director - F van Eck**

Annual Remuneration	673 559	639 634
Car Allowance	190 436	190 113
Cellphone Allowance	12 000	6 411
Contributions to UIF, Medical and Pension Funds	123 025	156 479
	<b>999 020</b>	<b>992 637</b>

**25. Remuneration of councillors**

Mayor	688 427	634 476
Councillors	1 437 019	1 336 741
Travelling Allowance	694 468	546 036
Cellphone and other allowance	396 946	226 200
	<b>3 216 861</b>	<b>2 743 454</b>

**In-kind benefits**

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

**26. Debt impairment**

Debt impairment	3 459 243	8 861 177
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**27. Interest earned - External invest****Interest received from receivables**

Receivables	3 857 153	-3 607 909
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**Interest revenue**

Bank	150 657	-289 512
	<b>4 007 810</b>	<b>-3 897 422</b>

**IKheis Local Municipality**  
Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

**28. Depreciation and amortisation**

Property, plant and equipment	<b>9 762 416</b>	<b>9 321 079</b>
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**29. Finance costs**

Non-current borrowings	596 735	367 452
Provision for rehabilitation of landfill sites	-	285 287
	<b>596 735</b>	<b>652 739</b>

**30. Auditors' remuneration**

Fees	574 023	2 008 550
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**31. Grants and subsidies paid**

**Other subsidies**

MSIG Expenditure	-	-
MIG Expenditure - UDS Toilets	-	-
	<b>-</b>	<b>-</b>

**32. Bulk purchases**

Water	1 499 464	1 200 242
-------	-----------	-----------

**33. Cash generated from operations**

(Deficit) surplus	1 464 062	-2 396 676
<b>Adjustments for:</b>		
Depreciation and amortisation	9 762 416	9 321 079
Gain on sale of non-current assets and disposal groups	-	-2 069 581
Finance costs - Finance leases	-596 735	-652 739
Interest income	3 857 153	3 607 909
Interest earned - Investment	-150 657	289 512
Debt impairment	3 459 243	8 861 177
Movements in operating lease assets and accruals		
Movements in provisions	-	-
Other non-cash items	-12 844 900	-12 844 900
<b>Changes in working capital:</b>		
Inventories	107 973	42 205
Other receivables from non-exchange transactions	-312 750	-1 044 114
Consumer debtors	-32 783 774	1 328 886
Investments	-7 889	-7 759
Payables from exchange transactions	11 374 452	958 076
VAT Receivable	22 560	-977 297
VAT Payable	-	-3 176 273
Unspent conditional grants and receipts	-1 285 543	6 564 241
Consumer deposits	-94 795	-100
Current portion of borrowings	-	-1 112 980
Provisions	1 327 003	285 287
	<b>-16 702 181</b>	<b>6 975 954</b>

**34. Commitments**

**Authorised capital expenditure**

**Already contracted for but not provided for**

Commitment as at 30 June 2018	8 919 977	11 411 040
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

**35. Contingencies**

The municipality is currently involve in court case relating to an accident on the N10 National road. The matter deals with responsibility of maintaining the fences. The estimated costs amounted to R1 768 000.

**36. Related parties**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**IKheis Local Municipality**  
Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

**36.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationship with businesses as indicated below:

Name of Related Person	Designation	Relationship	Related Party
Cllr AL Diergaardt	Mayor	Member of municipal council	None
Cllr S Esau	Councillor	Member of municipal council	None
Cllr J Silo	Councillor	Member of municipal council	None
Cllr A Tobias	Councillor	Member of municipal council	None
Cllr K Esau	Councillor	Member of municipal council	None
Cllr E Cloete	Councillor	Member of municipal council	None
Cllr G Beukes	Councillor	Member of municipal council	None
JTF Leeuw	Acting Municipal Manager	Member of key management	Member of Black Sparrow Trading
JD Block	Chief Financial Officer	Member of key management	None
D Dolopi	Technical Director	Member of key management	Member of Press A Phanda Solutions
D Jacobs	Acting Municipal Manager & Director Strategic Planning	Member of key management	None
DR Van Der Westhuizen	Acting Director Corporate Service	Member of key management	None
S R Mahonie	Acting Chief Financial Officer	Member of key management	Member of Isiqalo Ensintsha General Trading
G Baster	Acting Manager Office of the Mayor and Municipal	Member of key management	None
G Cloete	Employee of the municipality	Close family member of Council. Husband of Councillor E Cloete.	None
CS van Eck	Community Service Director	Member of key management	None

**Related Person**

Employee cost	2019	2018
G Cloete	263 165	263 165
	<b>263 165</b>	<b>263 165</b>

**36.2 Service rendered to Related Parties.**

The municipality did not render any service other than the normal municipal billings (service charges, rates etc) on the approved tariff structure of the municipality to councillors and top management. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

**Related party transactions**

Related Party		
Cllr A Diergaardt	4 798	4 798
Cllr K Esau	4 425	4 425
Cllr E Cloete	4 584	4 584
Cllr S Esau	4 356	4 356
FS Van Eck		
<b>Total</b>	<b>18 162</b>	<b>18 162</b>

**36.3 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by IKheis Municipality.

**36.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Managment, to the Annual Financial Statements.

**37. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**38. Events after the reporting date**

No events are known at time of submission of annual financial statement that may have a material impact on IKheis Municipality's going concern.

**IKheis Local Municipality**

Annual Financial Statements for the year ending 30 June 2019

**Notes to the Annual Financial Statements****39. Prior period errors**

Property, Plant and Equipment disclosed in prior year financial statements was not impaired which resulted in an overstatement of Property, Plant and Equipment. These errors as indicated in audit report.

The correction of the error(s) results in adjustments as follows:

**Statement of financial position**

Increase/ (Decrease) in Infrastructure Assets	-2 867 819	-2 867 819
Decrease in Community Assets	-213 853	-213 853
Increase/ (Decrease) in Land and Buildings Assets	-	-
Increase in Other Assets	7 694 611	7 694 611
Decrease in Movable Assets	-	-
Increase in Other Assets	25 806	25 806
Increase in Infrastructure Assets Depreciation	1 035 317	1 035 317
Increase in Community Assets Depreciation	146 305	146 305
Increase in Other Assets Depreciation	-9 762 416	-8 006 271
Increase/ (Decrease) in Work in Progress	15 101 207	-750 393
Decrease in Unauthorised expenditure	-14 463 369	-
Decrease in Trade and other payables	327 115	327 115
Decrease in Debtors	-	-
Decrease in Debtors SARS SDL	-	-
Decrease in VAT Receivable	-	-
Decrease in Creditors	734 436	734 436
Increase/ (Decrease) in Accumulated Surplus	<b>-2 242 660</b>	<b>-1 874 746</b>

**40. Comparative figures**

The reporting period is for a year, therefore comparative amounts are comparable to the current balances.

**41. Unauthorised expenditure**

Opening balance	22 796 152	18 966 291
Unauthorised expenditure	<b>14 463 369</b>	3 829 861
Condoned	-	-
	<b>37 259 521</b>	<b>22 796 152</b>

The unauthorised expenditure relates to Vehicle registration fees votes budget which were overspent.

**42. Fruitless and wasteful expenditure**

Opening balance	3 968 061	3 917 595
Fruitless and wasteful expenditure - 2017/2018 (Interest on creditors)	50 466	50 466
Interest and penalties paid to SARS on EMP201 late payments	-	-
Interest paid to Nashua due to non-payment of operating lease	-	-
Back pay of 32 re-instated employees as a result of a court order	-	-
Condoned		
	<b>4 018 527</b>	<b>3 968 061</b>

The amount of fruitless and wasteful expenditure for 2015/2016, 2016/2017 and 2017/2018 2018/2019 consists of interest and understatement penalties levied by The South African Revenue Services during the recent VAT audits. The amount for Auditor General could not be condoned by council, because payments are being made by National Treasury.

**43. Irregular expenditure**

Opening balance	4 819 274	-
Add: Irregular Expenditure - current year	<b>18 532 391</b>	4 819 274
The full extent of irregular expenditure could not be determined		
Less: Amounts condoned or transferred to debtors	-	-
	<b>23 351 664</b>	<b>4 819 274</b>

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**Details of irregular expenditure - current year**

Detail in the attached irregular register	Explanations in the register per individual case	18 532 390.71	
			880 667
		<b>18 532 391</b>	<b>880 667</b>

**44. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government (SALGA)**

Opening balance	1 516 435	1 106 435
Current year fee	500 000	410 000
Amount paid - current year	-	-
	<b>2 016 435</b>	<b>1 516 435</b>

**Audit fees - [MFMA 125 (1)(c)]**

Opening balance	6 391 643	4 480 443
Current year audit fee	<b>1 911 200</b>	1 911 200
External Audit Fees	1 911 200	1 911 200
Internal Audit Fees Audit Committee		
Amount paid - current year	2 485 224	
	<b>8 302 844</b>	<b>6 391 643</b>

**PAYE and UIF - [MFMA 125 (1)(c)]**

Current year fee	3 832 789	3 574 549
Amount paid - current year	-3 523 212	-3 304 824
	<b>309 577</b>	<b>269 725</b>

**Pension Deductions - [MFMA 125 (1)(c)]**

Current year fee	4 307 117	4 663 618
Amount paid - current year	-1 073 719	-4 539 837
	<b>3 233 398</b>	<b>123 781</b>

**Medical Aid Deductions - [MFMA 125 (1)(c)]**

Current year fee	448 073	4 663 618
Amount paid - current year	-407 806	-4 539 837
	<b>40 267</b>	<b>123 781</b>

**VAT - [MFMA 125 (1)(c)]**

VAT Receivable	3 009 280	1 504 853
Amount refunded - current year	-2 795 943	-1 240 831
	<b>213 338</b>	<b>264 022</b>

2 795 942.50  
18563.21

VAT output payables and VAT input receivables are shown in note 9.

VAT returns have been submitted from July 2018 till January 2019. The VAT returns for February March, April, May and June 2019 are still outstanding.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019

30-Jun-19	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr E Cloete	1 114	25 511	<b>26 625</b>
Cllr S Esau	1 101	19 601	<b>20 702</b>
Cllr K Esau	1 101	9 497	<b>10 597</b>
	<b>3 315</b>	<b>54 609</b>	<b>57 924</b>
30-Jun-18	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr E Cloete	1 060	21 111	<b>22 171</b>
Cllr S Esau	1 447	14 853	<b>16 300</b>
Cllr K Esau	701	5 495	<b>6 196</b>
	<b>3 208</b>	<b>41 458</b>	<b>44 666</b>

In calculation of debt impairment, Councilors were excluded.



30-Jun-19	Highest outstanding amount	Aging (in days)
Cllr E Cloete	26 625.00	864.00
Cllr S Esau	20 701.65	864.00
Cllr K Esau	10 597.38	864.00
	<b>57 924.03</b>	<b>2 592.00</b>

  

30-Jun-18	Highest outstanding amount	Aging (in days)
Cllr E Cloete	26 625	864
	<b>26 625</b>	<b>864</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### 45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Goods and Services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Reference nr	Supplier Name	Authorised	Amount	Reason
8947	GEMSBOK	Yes	R 2 321.12	Emergency, only service provider with available space
8962	JAM OFFICE STATIONERS (PTY) LT	Yes	R 7 439.88	Emergency, only service provider with available goods
8967	ANDRAG AGRICO	Yes	R 9 246.18	Emergency services repair of pump
8976	URB KLANK EN BEELD	Yes	R 21 225.00	Emergency services only service provider to provide goods
8992	TRANS ORANJE DRUKKERS	Yes	R 10 257.41	Only service provider who can provide documents with municipal logo
9001	ANDRAG AGRICO	Yes	R 4 000.94	Emergency services repair of pump
9005	BLV SWEISWERKE (Edms) Bpk	Yes	R 3 249.00	Emergency services repair of service delivery vehicle
9011	GEMSBOK	Yes	R 2 086.56	Only service provider that was available for hearing
8999	ANDRAG AGRICO	Yes	R 2 713.20	Emergency services repair of pump
9099	Kaap Agri Bedryfs Beperk	Yes	R 29 999.93	Emergency, only service provider who were able to give routes

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9100	Oranje Nissan	Yes	R 3 696.63	Emergency, Sole provider
9104	Oranje Nissan	Yes	R 9 542.61	Emergency, Sole provider
9042	Kaap Agri Bedryfs Beperk	Yes	R 29 999.99	Emergency services only service provider to provide goods
9079	Andrag Agrico	Yes	R 5 366.48	Good are available from one supplier
8997	Andrag Agrico	Yes	R 9 060.44	Only service provider who can provide documents with municipal logo
9031	Kaap Agri Bedryfs Beperk	Yes	R 29 999.99	Emergency services repair of pump
9131	URB QUOTE 23310	Yes	R 16 020.00	Emergency, only service provider who were able to give quotes
	PATHCARE A0081	Yes	R 2 520.80	Emergency, Sole provider
	PATHCARE A0080	Yes	R 2 835.90	Emergency, Sole provider
	KAAP AGRIC OG/KBR6743	Yes	R 9 999.83	Emergency services only service provider to provide goods
	UPT ALT EST 598	Yes	R 23 502.94	Emergency services only service provider to provide goods
	AAS OPERATIONS	Yes	R 18 239.00	Emergency services only service provider to provide goods
9160	Gemsbok	Yes	R2 906.28	Because of the available space in the local newspaper
9164	Jam Office Stationers	Yes	R8 325.00	Only two(2) Suppliers responded
9166	AAS Operations	Yes	R55 422.81	In an emergency
9138	ORANJE NISSAN	Yes	R9 542.61	Because of the available space in the local newspaper
9163	URB KLANK EN BEELD	Yes	R3 850.00	Only two(2) Suppliers responded
8961	ANDRAG AGRICO	Yes	R4 785.85	In an emergency
8983	TRANS ORANJE DRUKKERS	Yes	R10 196.43	Only supplier to respond on request
8997	ANDRAG AGRICO	Yes	R9 060.44	In an emergency
9015	LEXIS NEXIS	Yes	R3 462.75	Only supplier to provide
9024	ALSTOP	Yes	R5 079.45	Only supplier who is willing to supply on request for library programmes
9026	ALSTOP	Yes	R5 550.80	Only supplier who is willing to supply on request for library programmes
9027	ALSTOP	Yes	R5 466.60	Only supplier who is willing to supply on request for library programmes
9210	AAS OPERATIONS	Yes	R 36 478.00	In an emergency
9236	Kaap Agri Bedryfs Beperk	Yes	R9 995.36	In an emergency

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9267	AAS Operations	Yes	R58 238.30	In an emergency
9268	Lizaro Security Services (Pty) Ltd	Yes	R8 177.14	Due to festive season security services was needed urgently.
9284	Lizaro Security Services (Pty) Ltd	Yes	R8 193.75	Only supplier in the !Kheis area with the necessary PSIRA
9283	Lizaro Security Services (Pty) Ltd	Yes	R9 403.41	Only supplier in the !Kheis area with the necessary PSIRA
9231	Trans Oranje Drukkers	Yes	R15 349.97	Only supplier available to deliver ontime
9159	Hadedra News Upington	Yes	R5 950.00	Only supplier with available space to advert
9165	JJ verkoeling	Yes	R128 202.00	In an emergency to repair the municipality electrical equipment
	PATHCARE A0081	Yes	-R2 520.80	Emergency, Sole provider
	PATHCARE A0080	Yes	-R2 835.90	Emergency, Sole provider
9400	Thyron	Yes	R3 948.87	Only supplier to deliver before festive season weekend
9372	Lizaro Security Services (Pty) Ltd	Yes	R7 344.00	Protection of Library and municipal building
9353	Destiny Rock Inn	Yes	R13 360.00	Only supplier with available venue
9345	Kaap Agri Bedryfs Beperk	Yes	R2 648.13	Emergency, only two suppliers that can deliver batteries immediately
9346	Kaap Agri Bedryfs Beperk	Yes	R6 415.60	Emergency, only supplier with stock
9328	Gemsbok	Yes	R5 012.16	Only supplier willing to assist municipality
9327	Andrag Agrico	Yes	R14 718.56	Supplier are willing to give the municipality an additional pump while they are repairing the municipality's pump
9417	Gemsbok	Yes	R 2 819.34	Emergency, available space
9420	Kaap Agri	Yes	R 9 996.80	Only two suppliers responded with quotations
9422	Kaap Agri	Yes	R 9 963.95	In any other exceptional case where it is impractical or impossible to follow official procurement process
9424	Thyron	Yes	R 8 258.08	Only supplier that could deliver before the festive season
9427	Broom Engineering	Yes	R 13 310.10	Emergency repair of the vacuum pumps of sewerage trucks
9499	Noble General Services (PTY)Ltd	Yes	R 9 600.00	Only one supplier prodded us with a quote for accommodation, others are fully booked
9500	Noble General Services (PTY)Ltd	Yes	R 6 400.00	Only one supplier prodded us with a quote for accommodation, others are fully booked
9501	Noble General Services (PTY)Ltd	Yes	R 6 400.00	Only one supplier prodded us with a quote for accommodation, others are fully booked

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**Notes to the Annual Financial Statements**

9499	Noble General Services (PTY)Ltd		R 9 600.00	Only one supplier proded us with a quote for accommodation, others are fully booked
		Yes		
8961	Andrag Agrico		R 4 785.00	In any other exceptional case where it is impractical or impossible to follow official procurement process
		Yes		
9355	Itile Consultancy (pty)		R 231 747.34	Due to cashflow constraint the supplier was appointed for Vat reconciliation of prior and current year
		Yes		

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**Notes to the Annual Financial Statements**

9416	Itile Consultancy (pty)		R 258 724.99	Due to cashflow constraint the supplier was appointed for Vat reconciliation of prior and current year
		Yes		
			<u>1 276 657.00</u>	

**46. Going Concern Assessment**

Management considered the following matters relating to the Going Concern:

On 28 May 2018 the Council adopted the 2018/2019 to 2020/21 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

The municipality is not able to settle supplier accounts within 30 days of receipt of the invoice and 30% of trade payables are outstanding for periods exceeding 30 days;

The municipality is based in a remote area in the Northern Cape Province with little economic activity and many community members are classified as indigent consumers of the municipality. As a result the municipality struggles to collect revenue and this result in significant cash flow problems, which cast significant doubt on the municipality's ability to continue as a going concern. The municipality is dependent on national and provincial grants for its continued existence and capital investment

Taking the aforementioned into account, management has prepared the Annual financial Statements on the Going - Concern basis. However due to events after the reporting date have increase the presure on IKheis going concern.. The application for roll-over of the Unspent Conditional Grants to National Treasury has been disallowed for the previous financial year and municipality had been dbeited against the equitable shares with the amount for unspent part grant. This money has however already been committed to contractors, which will resulted in the municipality being responsible to fund these projects from own capital.

**47. Financial Instruments****2019****2018**

In accordance with GRAP 104.45 the financial liabilities and assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	<b>2019</b>	<b>2018</b>
<b>Investments</b>			
Unlisted Investments	Financial Instruments at fair value	-	-
FNB	Financial Instruments at cost	113 619	105 730
Fixed Deposits - FNB	Financial Instruments at amortised cost		
<b>Receivables from Exchange Transactions</b>			
Water	Financial Instruments at amortised cost	15 501 133	14 085 293
Sewerage	Financial Instruments at amortised cost	8 995 918	8 171 287
Refuse	Financial Instruments at amortised cost	13 597 422	12 355 336
Other debtors	Financial Instruments at amortised cost	3 534 010	3 765 347
VAT debtors	Financial Instruments at amortised cost	-	-

**IKheis Local Municipality**  
Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

**Receivables from Non-Exchange Transactions**

Various controls	Financial Instruments at amortised cost	(9 794 175)	880 866
Sundry Debtors	Financial Instruments at amortised cost	2 687 216	1 856 782

**Cash and Cash Equivalents**

Bank Balances	Financial Instruments at amortised cost	1 718 325	90 724
Call Deposits	Financial Instruments at amortised cost	1 688 698	746

<b>Total Financial Assets</b>		<b>38 042 167</b>	<b>41 312 111</b>
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**SUMMARY OF FINANCIAL ASSETS**

**Financial Instruments at amortised cost:**

Investments	FNB	113 619	105 730
Investments	Fixed Deposits - FNB	-	-
Receivables from Exchange Transactions	Water	15 501 133	14 085 293
Receivables from Exchange Transactions	Sewerage	8 995 918	8 171 287
Receivables from Exchange Transactions	Refuse	13 597 422	12 355 336
Receivables from Exchange Transactions	Other debtors	3 534 010	3 765 347
Receivables from Exchange Transactions	VAT debtors	-	-
Receivables from Non-exchange Transactions	Various controls	(9 794 175)	880 866
Receivables from Non-exchange Transactions	Sundry Debtors	2 687 216	1 856 782
Cash and Cash Equivalents	Bank Balances	1 718 325	90 724
Cash and Cash Equivalents	Call Deposits	1 688 698	746

<b>Total Financial Assets</b>		<b>38 042 167</b>	<b>41 312 111</b>
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		<b>2019</b>	<b>2018</b>
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**Financial Liabilities**

**Classification**

**Long-term Liabilities**

DBSA loan	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	874 830	874 830

**Trade and Other Payables**

Trade Creditors	Financial Instruments at amortised cost	18 976 505	12 943 652
Payments received in advance	Financial Instruments at amortised cost	-	-
Retentions	Financial Instruments at amortised cost	-	-
Other Creditors	Financial Instruments at amortised cost	12 349 185	7 007 585

<b>Total Financial Liabilities</b>		<b>32 200 520</b>	<b>20 826 068</b>
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		<b>2019</b>	<b>2018</b>
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**SUMMARY OF FINANCIAL LIABILITIES**

**Financial instruments at amortised cost:**

Long-term Liabilities	DBSA loan	-	-
Long-term Liabilities	Capitalised Lease Liability	874 830	874 830
Trade and Other Payables	Trade Creditors	18 976 505	12 943 652
Trade and Other Payables	Payments received in advance	-	-
Trade and Other Payables	Retentions	-	-
Trade and Other Payables	Other Creditors	12 349 185	7 007 585

<b>Total Financial Liabilities</b>		<b>32 200 520</b>	<b>20 826 068</b>
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**48. FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**b) Price Risk**

The municipality is not exposed to price risk.

**c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

**d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Exchange Receivables

Water	37.24%	15 501 133	36.70%	14 085 293
Sewerage	21.61%	8 995 918	21.29%	8 171 287
Refuse	32.66%	13 597 422	32.19%	12 355 336
Other debtors	8.49%	3 534 010	9.81%	3 765 347
VAT debtors	0.00%	-	0.00%	-
	<b>100.00%</b>	<b>41 628 483</b>	<b>100.00%</b>	<b>38 377 263</b>

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

**!Kheis Local Municipality**  
Annual Financial Statements for the year ending 30 June 2019  
**Notes to the Annual Financial Statements**

	2019 %	2019 R	2018 %	2018 R
<u>Non-exchange Receivables</u>				
Rates	#DIV/0!	-	18.73%	6 807 752
<u>Exchange Receivables</u>				
Services	#DIV/0!	-	81.27%	29 532 555
	#DIV/0!	-	100.00%	36 340 307

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	41 628 483	38 377 263
Cash and Cash Equivalents	3 407 422	92 996
	<b>45 035 905</b>	<b>38 470 259</b>

#### e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### 49. FINANCIAL SUSTAINABILITY

Management is of the opinion that will municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

##### 49.1 Financial Indicators

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of GROBLERSHOOP communities resulted in a serious risk for !KHEIS Municipality's going concern.

Unless sustainable job creation is achieved, !Kheis Municipality will not be able to function as a independent municipality without Government Grants and Subsidies.



**APPENDIX B**  
**!Kheis Local Municipality**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019**

	Cost Opening Balance Rand	Prior year Adjustments Rand	Additions Rand	Disposals Rand	Transfer Rand	Accumulated Depreciation			Current Year Depreciation Rand	Impairment Rand	Additions Rand	Disposal Rand	Transfer Rand	Closing Balance Rand	Carrying Value Rand
						Closing Balance Rand	Opening Balance Rand	Prior Year Adjustment Rand							
<b>Infrastructure</b>															
Water Network	29 853 322.50	-663 551.33	-	-	-	29 189 771.17	-10 547 333	539 685.67	-1 782 308.34	-	-	-	-	-11 789 955.59	17 399 815.58
Sewerage Mains & Purification Plant	23 457 807.00	-162 572.25	-	-	-	23 295 234.75	-7 042 154	92 809.47	-970 838.49	-	-	-	-	-7 920 183.47	15 375 051.28
Electricity Street & Highmasts	4 896 123.36	1 064 198.04	-	-	-	5 960 321.40	-3 052 146	-648 396.80	-573 618.54	-	-	-	-	-4 274 161.00	1 686 160.40
Roads	78 581 379.92	-259 928.39	-	-	-	78 321 451.53	-41 784 102	5 113.23	-2 992 272.60	-	-	-	-	-44 771 261.73	33 550 189.80
Refuse Disposal Site	1 550 371.83	25 905.07	-	-	-	1 576 276.90	-927 585	-	-84 318.03	-	-	-	-	-1 011 902.62	564 374.28
	<b>138 339 004.61</b>	<b>4 051.14</b>	-	-	-	<b>138 343 055.75</b>	<b>-63 353 319.98</b>	<b>-10 788.43</b>	<b>-6 403 356.00</b>	-	-	-	-	<b>-69 767 464.41</b>	<b>68 575 591.34</b>
<b>Community Assets</b>															
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	12 380 254.15	-1 069 059	204 600.00	-	-	11 515 795.37	-6 799 710.10	773 089.00	-980 135.85	-	-	-	-	-7 006 756.95	4 509 038.42
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks and Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>12 380 254.15</b>	<b>-1 069 059</b>	<b>204 600.00</b>	-	-	<b>11 515 795.37</b>	<b>-6 799 710.10</b>	<b>773 089.00</b>	<b>-980 135.85</b>	-	-	-	-	<b>-7 006 756.95</b>	<b>4 509 038.42</b>
<b>Land and Buildings</b>															
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land	57 682 024.70	-4 194 474.97	-	-	-	53 487 549.73	-	-	-	-	-	-	-	-	53 487 549.73
	<b>57 682 024.70</b>	<b>-4 194 474.97</b>	-	-	-	<b>53 487 549.73</b>	-	-	-	-	-	-	-	-	<b>53 487 549.73</b>
<b>MAR Database</b>															
Movables - Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 847 760.92	55 053.97	-	-	-	2 902 814.89	-2 705 381.76	1 908.97	-150 357.95	-	-	-	-	-2 853 830.74	48 984.15
Office Equipment	486 989.98	165 140.82	-	-	-	652 130.80	-469 948.05	-110 290.48	-39 707.13	-	-	-	-	-619 945.66	32 185.14
Motor Vehicles	4 507 281.48	-64 356.71	-	-	-	4 442 924.77	-3 550 304.88	-5 268.14	-587 238.68	-	-	-	-	-4 142 811.70	300 113.07
Machinery & Equipment	-	-	11 150.00	-	-	11 150.00	-	-	-726.63	-	-	-	-	-726.63	10 423.37
Other Assets	4 459 897.65	67 414.83	-	-	-	4 527 312.48	-3 521 491.39	-73 210.45	-404 791.06	-	-	-	-	-3 999 492.90	527 819.58
	<b>12 301 930.03</b>	<b>223 253</b>	<b>11 150.00</b>	-	-	<b>12 536 332.94</b>	<b>-10 247 126.08</b>	<b>-186 860.10</b>	<b>-1 182 821.45</b>	-	-	-	-	<b>-11 616 807.63</b>	<b>919 525.31</b>
<b>Lease hold Assets</b>															
Lease hold Assets	3 629 718.00	-	-	-	-	3 629 718.00	-524 307.87	-	-1 149 526.30	-	-	-	-	-1 673 834.17	1 955 883.83
	<b>3 629 718.00</b>	-	-	-	-	<b>3 629 718.00</b>	<b>-524 307.87</b>	-	<b>-1 149 526.30</b>	-	-	-	-	<b>-1 673 834.17</b>	<b>1 955 883.83</b>
<b>Work-in-progress Assets</b>															
Work-in-progress Assets	22 402 853.14	-	15 101 206.85	-	-	37 504 059.99	-	-	-	-	-	-	-	-	37 504 059.99
	<b>22 402 853.14</b>	-	<b>15 101 206.85</b>	-	-	<b>37 504 059.99</b>	-	-	-	-	-	-	-	-	<b>37 504 059.99</b>
<b>Grand Total</b>	<b>246 735 784.63</b>	<b>-5 036 230</b>	<b>15 316 956.85</b>	-	-	<b>257 016 511.78</b>	<b>-80 924 464.03</b>	<b>575 440.47</b>	<b>-9 715 839.60</b>	-	-	-	-	<b>-90 064 863.16</b>	<b>166 951 649</b>

**APPENDIX B**  
**IKheis Local Municipality**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

	Cost Opening Balance Rand	Prior year Adjustments Rand	Additions Rand	Disposals Rand	Transfer Rand	Accumulated Depreciation				Impairment Rand	Additions Rand	Disposal Rand	Transfer Rand	Closing Balance Rand	Carrying Value Rand
						Closing Balance Rand	Opening Balance Rand	Prior Year Adjustment Rand	Current Year Depreciation Rand						
<b>Infrastructure</b>															
Water Network	21 086 577.48	8 146 112.18	-	-	-	29 232 689.66	-9 333 131	1 075 534.78	-1 785 978.62	-	-	-	-	-10 043 575.23	19 189 114.42
Sewerage Mains & Purification Plant	23 457 807.00	0.16	-	-	-	23 457 807.16	-6 077 309	15 772.36	-980 617.34	-	-	-	-	-7 042 154.45	16 415 652.71
Electricity Street & Highmasts	4 678 155.10	217 968.26	-	-	-	4 896 123.36	-2 998 867	527 754.15	-492 588.45	-	-	-	-	-2 963 701.06	1 932 422.31
Roads	65 125 579.58	12 846 192.38	609 607.46	-	-	78 581 379.42	-38 797 698	-2 526.09	-2 965 508.03	-	-15 844.04	-	-	-41 781 576.37	36 799 803.05
Refuse Disposal Site	1 576 277.00	-0.10	-	-	-	1 576 276.90	-856 777	13 510.18	-84 317.99	-	-	-	-	-927 584.59	648 692.31
	<b>115 924 396.16</b>	<b>21 210 272.87</b>	<b>609 607.46</b>	<b>-</b>	<b>-</b>	<b>137 744 276.49</b>	<b>-58 063 782.63</b>	<b>1 630 045.39</b>	<b>-6 309 010.42</b>	<b>-</b>	<b>-15 844.04</b>	<b>-</b>	<b>-</b>	<b>-62 758 591.70</b>	<b>74 985 684.79</b>
<b>Community Assets</b>															
Halls	2 886 889.93		-	-	-	2 886 889.93	-1 670 800.70	-0.00	-277 617.54	-	-	-	-	-1 948 418.24	938 471.69
Libraries	1 890 383.32		-	-	-	1 890 383.32	-1 174 811.94	8.01	-141 907.78	-	-	-	-	-1 316 711.71	573 671.61
Civic Buildings	2 174 349.39	-213 853.32		-	-	1 960 496.08	-1 002 282.28	146 304.06	-185 576.14	-	-	-	-	-1 041 554.36	918 941.71
Recreational Grounds	5 143 277.76		218 634.47	-	-	5 361 912.23	-1 858 163.80	0.00	-385 323.98	-	-29 436.50	-	-	-2 272 924.27	3 088 987.96
Cemetries	267 933.06		-	-	-	267 933.06	-171 542.54	0.00	-37 695.45	-	-	-	-	-209 237.99	58 695.07
Parks and Gardens	12 639.51		-	-	-	12 639.51	-10 068.91	-6.99	-788.80	-	-	-	-	-10 864.70	1 774.81
	<b>12 375 472.97</b>	<b>-213 853</b>	<b>218 634.47</b>	<b>-</b>	<b>-</b>	<b>12 380 254.12</b>	<b>-5 887 670.17</b>	<b>146 305.08</b>	<b>-1 028 909.68</b>	<b>-</b>	<b>-29 436.50</b>	<b>-</b>	<b>-</b>	<b>-6 799 711.27</b>	<b>5 580 542.85</b>
<b>Land and Buildings</b>															
Buildings	4 320 955.95		-	-	-	4 320 955.95	-3 037 380.89	-	-392 370.14	-	-	-	-	-3 429 751.04	891 204.91
Land	53 223 626.00		-	-	-	53 223 626.00	-	-	-	-	-	-	-	-	53 223 626.00
	<b>57 544 581.95</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57 544 581.95</b>	<b>-3 037 380.89</b>	<b>-</b>	<b>-392 370.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3 429 751.04</b>	<b>54 114 830.91</b>
<b>MAR Database</b>															
Movables - Other Asset	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 850 509.70	-19 683.05	74 783.98	-	-	2 905 610.63	-2 566 792.31	550.24	-127 283.96	-	-9 754.80	-	-	-2 703 280.83	202 329.79
Office Equipment	508 248.55	0.00	-	-	-	508 248.55	-440 716.40	0.01	-29 392.05	-	-	-	-	-470 108.43	38 140.12
Motor Vehicles	4 289 503.71	0.01	153 421.05	-	-	4 442 924.76	-2 971 823.23	0.00	-571 896.68	-	-6 585.20	-	-	-3 550 305.10	892 619.67
Other Assets	8 133 695.00	-8 004 771.93	10 018.63	-	-	138 941.70	-7 838 619.34	7 738 053.44	-8 989.59	-	-376.04	-	-	-109 931.54	29 010.16
	<b>15 781 956.96</b>	<b>-8 024 455</b>	<b>238 223.66</b>	<b>-</b>	<b>-</b>	<b>7 995 725.64</b>	<b>-13 817 951.28</b>	<b>7 738 603.69</b>	<b>-737 562.27</b>	<b>-</b>	<b>-16 716.04</b>	<b>-</b>	<b>-</b>	<b>-6 833 625.90</b>	<b>1 162 099.74</b>
<b>Lease hold Assets</b>															
Lease hold Assets	9 719 301.24	-612 288.72	-	-	-	9 107 012.52	-5 477 294.12	-	-524 307.87	-	-	-	-	-6 001 601.99	3 105 410.53
	<b>9 719 301.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 107 012.52</b>	<b>-5 477 294.12</b>	<b>-</b>	<b>-524 307.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-6 001 601.99</b>	<b>3 105 410.53</b>
<b>Work-in-progress Assets</b>															
Work-in-progress Asset	37 484 707.09		-	-15 081 853.95	-	22 402 853.14	-	-	-	-	-	-	-	-	22 402 853.14
	<b>37 484 707.09</b>	<b>-</b>	<b>-</b>	<b>-15 081 853.95</b>	<b>-</b>	<b>22 402 853.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 402 853.14</b>
<b>Grand Total</b>	<b>248 830 416.37</b>	<b>12 971 965</b>	<b>1 066 465.59</b>	<b>-15 081 853.95</b>	<b>-</b>	<b>247 174 703.86</b>	<b>-86 284 079.09</b>	<b>9 514 954.16</b>	<b>-8 992 160.39</b>	<b>-</b>	<b>-61 996.58</b>	<b>-</b>	<b>-</b>	<b>-85 823 281.89</b>	<b>161 351 421.97</b>

# APPENDIX C

## IKHEIS MUNICIPALITY

### SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2019

Description	Cost / Revaluation						sd s a	Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Closing Balance		Opening Balance	Disposals	Additions	Depreciation	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Executive and Council</b>	<b>11 311 195</b>	<b>204 600</b>	-	-	-	<b>11 515 795</b>		<b>(6 026 621)</b>	-	-	<b>(980 136)</b>	<b>(7 006 757)</b>	<b>4 509 038</b>
<i>Executive &amp; Council</i>	<i>11 311 195</i>	<i>204 600</i>	-	-	-	<i>11 515 795</i>		<i>(6 026 621)</i>	-	-	<i>(980 136)</i>	<i>(7 006 757)</i>	<i>4 509 038</i>
<b>Finance &amp; Admin</b>	<b>66 012 733</b>	<b>11 150</b>	-	-	-	<b>66 023 883</b>		<b>(10 433 986)</b>	-	-	<b>(1 182 821)</b>	<b>(11 616 808)</b>	<b>54 407 075</b>
<i>Finance and Administration</i>	<i>66 012 733</i>	<i>11 150</i>	-	-	-	<i>66 023 883</i>		<i>(10 433 986)</i>	-	-	<i>(1 182 821)</i>	<i>(11 616 808)</i>	<i>54 407 075</i>
<b>Waste Water Management/Sewerage</b>	<b>24 871 512</b>	-	-	-	-	<b>24 871 512</b>		<b>(7 876 930)</b>	-	-	<b>(1 055 157)</b>	<b>(8 932 086)</b>	<b>15 939 426</b>
<i>Sewerage Mains</i>	<i>24 871 512</i>	-	-	-	-	<i>24 871 512</i>		<i>(7 876 930)</i>	-	-	<i>(1 055 157)</i>	<i>(8 932 086)</i>	<i>15 939 426</i>
<b>Water Network</b>	<b>29 189 771</b>	-	-	-	-	<b>29 189 771</b>		<b>(10 007 647)</b>	-	-	<b>(1 782 308)</b>	<b>(11 789 956)</b>	<b>17 399 816</b>
<i>Water Network</i>	<i>29 189 771</i>	-	-	-	-	<i>29 189 771</i>		<i>(10 007 647)</i>	-	-	<i>(1 782 308)</i>	<i>(11 789 956)</i>	<i>17 399 816</i>
<b>Electricity Network</b>	<b>5 960 321</b>	-	-	-	-	<b>5 960 321</b>		<b>(3 700 542)</b>	-	-	<b>(573 619)</b>	<b>(4 274 161)</b>	<b>1 686 160</b>
<i>Electricity Network</i>	<i>5 960 321</i>	-	-	-	-	<i>5 960 321</i>		<i>(3 700 542)</i>	-	-	<i>(573 619)</i>	<i>(4 274 161)</i>	<i>1 686 160</i>
<b>Roads transport</b>	<b>78 321 452</b>	-	-	-	-	<b>78 321 452</b>		<b>(41 778 989)</b>	-	-	<b>(2 992 273)</b>	<b>(44 771 262)</b>	<b>33 550 190</b>
<i>Roads</i>	<i>78 321 452</i>	-	-	-	-	<i>78 321 452</i>		<i>(41 778 989)</i>	-	-	<i>(2 992 273)</i>	<i>(44 771 262)</i>	<i>33 550 190</i>
<b>Total</b>	<b>215 666 984</b>	<b>215 750</b>	-	-	-	<b>215 882 734</b>		<b>(79 824 716)</b>	-	-	<b>(8 566 313)</b>	<b>(88 391 029)</b>	<b>127 491 705</b>

## APPENDIX D

### !KHEIS MUNICIPALITY

#### SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual Income	2018 Actual Expenditure	2018 Surplus/ (Deficit)	Description	2019 Actual Income	2019 Actual Expenditure	2019 Surplus/ (Deficit)
R	R	R		R	R	R
<b>57 366 793</b>	<b>59 763 469</b>	<b>(2 396 676)</b>	<b>Municipal Owned</b>	<b>66 650 770</b>	<b>65 174 488</b>	<b>1 476 281</b>
-	5 812 227	(5 812 227)	Executive and Council	-	6 527 800	(6 527 800)
40 616 349	24 559 472	16 056 877	Finance & Admin	54 110 313	22 147 503	31 962 810
2 088 742	10 048 805	(7 960 063)	Public Works	755 000	9 783 239	(9 028 239)
14 661 702	16 834 635	(2 172 933)	Waste Water Management	11 785 457	24 412 238	(12 626 781)
-	-	-	Water/Electricity	-	-	-
-	2 508 330	(2 508 330)	Road Transport	-	2 303 708	(2 303 708)
-	-	-				-
<b>57 366 793</b>	<b>59 763 469</b>	<b>(2 396 676)</b>	Sub-Total	<b>66 650 770</b>	<b>65 174 488</b>	<b>1 476 281</b>
			Revenue Foregone			
<b>57 366 793</b>	<b>59 763 469</b>	<b>(2 396 676)</b>	<b>Total</b>	<b>66 650 770</b>	<b>65 174 488</b>	<b>1 476 281</b>

**IKHEIS MUNICIPALITY**  
**ACTUAL versus BUDGET (REVENUE AND EXPENDITURE)**

	Actual	Budget	
	2019	2019	Explanation of significant variances greater than 10% versus budget
	R	R	
<b>REVENUE</b>			
Sale of goods	402 217		
Service Charges	9 060 606	8 429 543	
Rental of Facilities and equipment	496 652	1 092 687	
Licenses and permits	369 343	17 000	
Other income	35 536	4 933 052	
Interest Earned - External Investments	150 657	447 000	
Interest Earned - Consumer accounts	3 857 153	711 936	
Property rates	5 892 176	4 367 871	
Government grants & subsidies	46 388 024	46 966 200	
<b>Total Revenue</b>	<b>66 652 364</b>	<b>66 965 289</b>	
<b>EXPENDITURE</b>			
Employee Related Costs	33 094 184	28 861 252	
Remuneration of Councillors	3 216 861	3 099 156	
Depreciation and Amortisation	9 762 416	4 531 566	
Debt Impairment	3 459 243	5 884 000	
Repairs and Maintenance	1 903 398	1 216 319	
Finance Costs	596 735	-	
Bulk Purchases	1 499 464	2 181 299	
Grants and Subsidies Paid	-	1 338 000	
General Expenses	11 656 001	13 656 459	
Loss on Disposal of Property, Plant and Equipment			
<b>Total Expenditure</b>	<b>65 188 302</b>	<b>60 768 052</b>	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>1 464 062</b>	<b>6 197 237</b>	
<b>OTHER REVENUE / EXPENDITURE INCURRED</b>			
Gain on Disposal of Property, Plant and Equipment	-		
Share of Surplus / (Deficit) of Associate accounted for under the Equity Method	-	-	
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>1 464 062</b>	<b>6 197 237</b>	

## APPENDIX E (2)

### IKHEIS MUNICIPALITY

#### BUDGET ANALYSIS OF CAPITAL EXPENDITURE AS AT 30 JUNE 2019

	Budget	Additions	Variances	Variances	Explanation of significant variances greater than 10% versus budget
	2019 R	2019 R	2019 R	2019 %	
<b>MUNICIPALITY</b>					
Executive and Council	-	-	-	0%	
Finance and Admin	-	-	-	0%	
Public Works	-	-	-	0%	
Comm. & Social/Libraries and archives	-	-	-	0%	
Housing	-	-	-	0%	
Public Safety/Police	-	-	-	0%	
Sport and Recreation	-	-	-	0%	
Refuse removal	-	-	-	0%	
Waste Water Management/Sewerage	6 990 366	204 600	7 194 966	0%	
Road Transport/Roads	3 576 634	-	3 576 634	0%	
Water/Water Distribution	4 000 000	4 500 000	8 500 000	0%	
Electricity/Electricity Distribution	-	-	-	0%	
Other/Air transport	-	-	-	0%	
<b>Total Capital Expenditure</b>	<b>14 567 000</b>	<b>4 704 600</b>	<b>19 271 600</b>	<b>-</b>	

**GRANT REGISTER**  
**IKHEIS MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received 2018/2019**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts						Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					AGREE WITH FILE	Compliance to Revenue Act (*) See below	PERSENT SPEND
		June/ rol over amount	Sept	Dec	March	June	Total	Sept	Dec	March	June	Total	Sept	Dec	March	June	TOTAL		Yes / No	
Financial Management Grant	National Treasury	-	2 415 000.00	-	-	-	2 415 000.00	1 416 722.46	170 373.41	273 527.04	554 176.83	2 414 799.74	998 277.54	170 373.41	273 527.04	554 176.83	200.26	N/A	Yes	100
Library Grant	Sports, Acts & Culture	560 831.00	375 000.00	-	375 000.00	-	1 310 831.00	233 138.16	163 273.03	153 283.48	217 078.04	766 772.71	141 861.84	163 273.03	528 283.48	217 078.04	544 058.29	N/A	Yes	58
Municipal Infrastructure Grant	COGHSTA - National	-	6 920 000.00	-	3 647 000.00	-	10 567 000.00	4 263 720.38	504 537.20	2 074 403.55	2 897 208.10	9 739 869.23	2 656 279.62	504 537.20	5 721 403.55	2 897 208.10	827 130.77	N/A	Yes	92
EPWP Incentive Grant	DPWRT - Provincial	-	250 000.00	450 000.00	300 000.00	-	1 000 000.00	17 067.60	93 472.05	297 500.59	560 730.43	968 770.67	232 932.40	543 472.05	597 500.59	560 730.43	31 229.33	N/A	Yes	97
Water Services Infrastructure Grant	DWS	-	2 000 000.00	-	6 500 000.00	-	8 500 000.00	2 770 679.59	130 116.75	-	4 621 320.46	7 522 116.80	-770 679.59	130 116.75	6 500 000.00	4 621 320.46	977 883.20	N/A	Yes	88
EEDSM	Dept. of Energy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	N/A	Yes	0
<b>Total Grants and Subsidies Received</b>		560 831.00	11 960 000.00	450 000.00	10 822 000.00	-	23 792 831.00	8 701 328.19	1 061 772.44	2 798 714.66	8 850 513.86	21 412 329.15	3 258 671.81	-611 772.44	8 023 285.34	2 380 501.85	2 380 501.85			

(\*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G(1)  
IKheis Municipality  
BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION) FOR THE YEAR ENDED JUNE 2019

Description	2018/19											2015/16			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Governance and Administration:</b>															
Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office	42 463 594	1 338 000	43 801 594	-	-	43 801 594	54 110 313	-	10 308 719	124	127	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and Public Safety:</b>															
Community and Social Services	4 348 657	572 200	4 920 857	-	-	4 920 857	-	-	(4 165 857)	15	17	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	-	507 000	507 000	-	-	507 000	755 000	-	248 000	149	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading Services:</b>															
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	8 300 791	4 500 000	12 800 791	-	-	12 800 791	-	-	(12 800 791)	-	-	-	-	-	-
Waste Water Management	1 822 587	509 000	2 331 587	-	-	2 331 587	11 785 457	-	9 453 870	505	647	-	-	-	-
Waste Management	2 890 747	498 858	3 389 605	-	-	3 389 605	-	-	(3 389 605)	-	-	-	-	-	-
<b>Other:</b>															
License	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>59 826 376</b>	<b>7 925 058</b>	<b>67 751 434</b>	-	-	<b>67 751 434</b>	<b>66 650 770</b>	-	<b>(345 664)</b>	<b>98</b>	<b>111</b>	-	-	-	-
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	8 053 672	(93 000)	7 960 672	-	-	7 960 672	6 527 800	-	(1 432 871)	82	81	-	-	-	-
Budget and Treasury Office	23 549 294	1 615 000	25 164 294	-	-	25 164 294	22 147 503	-	(3 016 791)	88	94	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community and Public Safety:</b>															
Community and Social Services	4 820 824	(756 000)	4 064 824	-	-	4 064 824	9 783 239	-	5 718 415	241	203	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	1 992 371	(7 000)	1 985 371	-	-	1 985 371	-	-	(1 985 371)	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	2 303 708	-	2 303 708	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Trading Services:</b>															
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	9 612 290	339 000	9 951 290	-	-	9 951 290	-	-	(9 951 290)	-	-	-	-	-	-
Waste Water Management	5 662 093	-	5 662 093	-	-	5 662 093	24 412 238	-	18 750 145	431	431	-	-	-	-
Waste Management	4 874 441	-	4 874 441	-	-	4 874 441	-	-	(4 874 441)	-	-	-	-	-	-
<b>Other:</b>															
License	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>58 564 985</b>	<b>1 098 000</b>	<b>59 662 985</b>	-	-	<b>59 662 985</b>	<b>65 174 488</b>	-	<b>5 511 503</b>	<b>109</b>	<b>111</b>	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>1 261 391</b>	<b>6 827 058</b>	<b>8 088 449</b>	-	-	<b>8 088 449</b>	<b>1 476 281</b>	-	<b>(5 857 167)</b>	<b>18</b>	<b>117</b>	-	-	-	-



**APPENDIX G(2)**  
**!Kheis Municipality**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19											2016/17			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	penditure authorised to be covered	Balance to be covered	Restated Audited Outcome
<b>REVENUE BY VOTE</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Vote 1 - Office of the Municipal Manager	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 2 - Corporate Services	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 3 - Financial Services	42 463 594	2 247 000	44 710 594	-	-	44 710 594	54 110 313	9 399 719	9 399 719	121.02	127.43	-			-
Vote 4 - Technical Services	4 348 657	1 076 402	5 425 059	-	-	5 425 059	755 000	-	(4 670 059)	13.92	17.36				-
Vote 5 - Cleaning Services	13 014 125	1 008 858	14 022 983	-	-	14 022 983	11 785 457	-	(2 237 526)	84.04	90.56				-
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 7 - Council	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 8 - Water Management	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 9 - Community Services	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 10 - Traffic Services	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Total Revenue by Vote</b>	<b>59 826 376</b>	<b>4 332 260</b>	<b>64 158 636</b>	<b>-</b>	<b>-</b>	<b>64 158 636</b>	<b>66 650 770</b>	<b>9 399 719</b>	<b>2 492 134</b>	<b>103.88</b>	<b>111.41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURE BY VOTE</b>															
Vote 1 - Office of the Municipal Manager	3 343 790	132 000	3 475 790	-	-	3 475 790	2 136 026	-	(1 339 763)	61.45	63.88				-
Vote 2 - Corporate Services	4 689 610	673 774	5 363 384	-	-	5 363 384	6 799 605	1 436 221	1 436 221	126.78	144.99	-	-	-	-
Vote 3 - Financial Services	18 859 684	940 647	19 800 331	-	-	19 800 331	19 739 671	-	(60 660)	99.69	104.67				-
Vote 4 - Technical Services	20 148 832	338 500	20 487 332	-	-	20 487 332	12 086 947	-	(8 400 385)	59.00	59.99				-
Vote 5 - Planning & Development	1 992 371	(7 000)	1 985 371	-	-	1 985 371	24 412 238	22 426 867	22 426 867	1 229.61	1 225.29	-			-
Vote 6 - Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 7 - Council	4 709 882	(225 000)	4 484 882	-	-	4 484 882	4 391 774	-	(93 108)	97.92	93.25				-
Vote 8 - Water Management	-	-	-	-	-	-	-	-	-	0.00	0.00				-
Vote 9 - Community Services	5 977 771	(756 234)	5 221 537	-	-	5 221 537	-	-	(5 221 537)	0.00	0.00				-
Vote 10 - Traffic Services	-	-	-	-	-	-	-	-	-	0.00	0.00				-
<b>Total Expenditure by Vote</b>	<b>59 721 940</b>	<b>1 096 687</b>	<b>60 818 627</b>	<b>-</b>	<b>-</b>	<b>60 818 627</b>	<b>69 566 262</b>	<b>23 863 088</b>	<b>8 747 635</b>	<b>114.38</b>	<b>116.48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) for the year</b>	<b>104 435</b>	<b>3 235 573</b>	<b>3 340 008</b>	<b>-</b>	<b>-</b>	<b>3 340 008</b>	<b>(2 915 493)</b>	<b>(14 463 369)</b>	<b>(6 255 501)</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**APPENDIX G(3)**  
**IKheis Municipality**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/19											2018/19			
	Original Total	Budget	Final Adjustments	Shifting of	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported	Expenditure	Balance	Restated
	Budget	Adjustments	Budget	Funds		Budget	Outcome	Expenditure				Expenditure	o. Sect	covered	Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>															
Property Rates	4 367 871	-	4 367 871	-	-	4 367 871	5 892 176	-	1 524 305	134.90	134.90	-	-	-	-
Service Charges - Electricity	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Service Charges - Water	4 300 559	(163 713)	4 136 846	-	-	4 136 846	3 959 936	-	(176 910)	95.72	92.08	-	-	-	-
Service Charges - Sanitation	1 779 379	(132 264)	1 647 115	-	-	1 647 115	2 182 483	-	535 368	132.50	122.65	-	-	-	-
Service Charges - Refuse	2 890 582	(245 000)	2 645 582	-	-	2 645 582	2 714 255	-	68 673	102.60	93.90	-	-	-	-
Service Charges - Other	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Rental of Facilities and Equipment	592 687	500 000	1 092 687	-	-	1 092 687	496 652	-	(596 035)	45.45	83.80	-	-	-	-
Interest Earned - External Investments	280 000	167 000	447 000	-	-	447 000	150 657	-	(296 343)	33.70	53.81	-	-	-	-
Interest Earned - Outstanding Debtors	166 500	545 436	711 936	-	-	711 936	-	-	(711 936)	0.00	0.00	-	-	-	-
Dividends Received	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Fines	67 607	(3 614)	63 993	-	-	63 993	-	-	(63 993)	0.00	0.00	-	-	-	-
Licences and Permits	11 000	6 000	17 000	-	-	17 000	369 343	-	352 343	2 172.61	3 357.67	-	-	-	-
Agency Services	1 818 000	(933 000)	885 000	-	-	885 000	-	-	(885 000)	0.00	0.00	-	-	-	-
Transfers Recognised - Operational	27 328 000	571 200	27 899 200	-	-	27 899 200	26 312 835	-	(1 586 365)	94.31	96.29	-	-	-	-
Other Revenue	1 657 000	312 509	1 969 509	-	-	1 969 509	437 753	-	(1 531 756)	22.23	26.42	-	-	-	-
Gains on Disposal of PPE	-	1 350 000	1 350 000	-	-	1 350 000	-	-	(1 350 000)	0.00	0.00	-	-	-	-
<b>Total Revenue (excluding Capital)</b>	<b>45 259 185</b>	<b>1 974 554</b>	<b>47 233 739</b>	-	-	<b>47 233 739</b>	<b>42 516 091</b>	-	<b>(4 717 648)</b>	<b>90.01</b>	<b>93.94</b>	-	-	-	-
<b>Expenditure</b>															
Employee Related Costs	28 963 741	(102 489)	28 861 252	-	-	28 861 252	33 094 184	4 232 932	4 232 932	114.67	114.26	-	-	-	-
Remuneration of Councillors	3 099 156	-	3 099 156	-	-	3 099 156	3 216 861	117 705	117 705	103.80	103.80	-	-	-	-
Debt Impairment	-	5 884 000	5 884 000	-	-	5 884 000	3 459 243	-	(2 424 757)	58.79	0.00	-	-	-	-
Depreciation and Asset Impairment	4 531 566	-	4 531 566	-	-	4 531 566	9 762 416	5 230 850	5 230 850	215.43	215.43	-	-	-	-
Finance Charges	-	-	-	-	-	-	596 735	596 735	596 735	0.00	0.00	-	-	-	-
Bulk Purchases	1 350 418	-	1 350 418	-	-	1 350 418	1 499 464	149 046	149 046	111.04	111.04	-	-	-	-
Other Materials	2 087 200	(40 000)	2 047 200	-	-	2 047 200	1 903 398	-	(143 802)	92.98	91.19	-	-	-	-
Contracted Services	3 708 935	(280 982)	3 427 953	-	-	3 427 953	-	-	(3 427 953)	0.00	0.00	-	-	-	-
Transfers and Grants	-	1 338 000	1 338 000	-	-	1 338 000	-	-	(1 338 000)	0.00	0.00	-	-	-	-
Other Expenditure	15 980 961	(5 752 454)	10 228 507	-	-	10 228 507	11 656 001	1 427 495	1 427 495	113.96	72.94	-	-	-	-
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Total Expenditure</b>	<b>59 721 977</b>	<b>1 046 075</b>	<b>60 768 052</b>	-	-	<b>60 768 052</b>	<b>65 188 302</b>	<b>11 754 762</b>	<b>4 420 250</b>	<b>107.27</b>	<b>109.15</b>	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>(14 462 792)</b>	<b>928 479</b>	<b>(13 534 313)</b>	-	-	<b>(13 534 313)</b>	<b>(22 672 212)</b>	<b>(11 754 762)</b>	<b>(9 137 899)</b>	<b>0.00</b>	<b>0.00</b>	-	-	-	-
Transfers Recognised - Capital	14 567 000	4 500 000	19 067 000	-	-	19 067 000	20 067 000	1 000 000	1 000 000	105.24	137.76	-	-	-	-
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) after Capital Transfers and</b>	<b>104 208</b>	<b>5 428 479</b>	<b>5 532 687</b>	-	-	<b>5 532 687</b>	<b>(2 605 212)</b>	<b>(10 754 762)</b>	<b>(8 137 899)</b>	<b>0.00</b>	<b>0.00</b>	-	-	-	-
Surplus / (Deficit) from Discontinued Operation	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
<b>Surplus/(Deficit) for the Year</b>	<b>104 208</b>	<b>5 428 479</b>	<b>5 532 687</b>	-	-	<b>5 532 687</b>	<b>(2 605 212)</b>	<b>(10 754 762)</b>	<b>(8 137 899)</b>	-	-	-	-	-	-

APPENDIX G(4)  
IKheis Municipality  
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED JUNE 2019

Description	2018/19											2017/18			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported expenditure authorised	Expenditure t.o. Sect 3	Balance to be Recovered	Restated Audited Outcome
CAPITAL EXPENDITURE - VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Multi-year Expenditure															
Vote 1 - Executive and council		-		-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Financial & Administration	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Public Work	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Refuse	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 5 - Water	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and council	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Financial & Administration	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Public Work	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Refuse	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 5 - Water	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Single-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Vote	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and council	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Budget and treasury office	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Community and Public Safety:															
Community and social services	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Sport and recreation	-	500 000	500 000	-	-	500 000	204 600	295 400	(295 400)	40.92	0.00	-	-	-	-
Public safety	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Housing	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Economic and Environmental Services:															
Planning and development	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Road transport	3 576 634		3 576 634	-	-	3 576 634	3 826 840	250 206	250 206	107.00	107.00	-	-	-	-
Environmental protection	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Trading Services:															
Electricity	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Water	4 000 000	4 500 000	8 500 000	-	-	8 500 000	6 557 834	-	(1 942 166)	77.15	163.95	-	-	-	-
Waste water management	427 362		427 362	-	-	427 362									
Waste management	6 563 004		6 563 004	-	-	6 563 004	4 921 133		(1 641 871)	74.98	74.98	-	-	-	-
Other:															
Other	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Standard	14 567 000	5 000 000	19 567 000	-	-	19 567 000	15 510 407	545 606	(3 629 231)	79.27	106.48	-	-	-	-
FUNDED BY:															
National Government	14 567 000	4 500 000	19 067 000	-	-	19 067 000	19 067 000	-	-	100.00	130.89	-	-	-	-
Provincial Government	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
District Municipality	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants	-		-		-	-	-	-	-	0.00	0.00	-	-	-	-
Transfers Recognised - Capital	14 567 000	4 500 000	19 067 000	-	-	19 067 000	19 067 000	-	-	100.00	130.89	-	-	-	-
Public Contributions & Donations			-		-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing			-		-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds			-		-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Funding	14 567 000	4 500 000	19 067 000	-	-	19 067 000	19 067 000	-	-	100.00	130.89	-	-	-	-

**APPENDIX G(5)**  
**Kheis Municipality**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

Description	2018/2019								2017/2018
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	11 068 000.00	370 000	11 438 000	11 438 000	4 859 413	(6 578 587)	42.48	43.91	-
Government - Operating	27 328 000.00	(3 928 000)	23 400 000	23 400 000	26 312 835				-
Government - Capital	14 567 000.00	5 000 000	19 567 000	19 567 000	20 067 000	500 000	102.56	137.76	-
Interest	447 000.00	719 000	1 166 000	1 166 000	4 007 810	2 841 810	343.72	896.60	-
Dividends	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Employee costs		-			(36 311 045)				
Suppliers and Employees	-55 190 000.00	3 838 000	(51 352 000)	(51 352 000)	(15 058 864)	36 293 136	0.00	0.00	-
Finance Charges	-	-	-	-	(596 735)	(596 735)	0.00	0.00	-
Other payments		-	-	-	-				
Other cash items		-	-	-	-				
Transfers and Grants	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>(1 780 000)</b>	<b>5 999 000</b>	<b>4 219 000</b>	<b>4 219 000</b>	<b>3 280 415</b>	<b>32 459 624</b>	<b>77.75</b>	<b>0.00</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on sale of PPE	850 000	850 000	1 350 000	1 350 000	-	(1 350 000)	0.00	0.00	-
Purchase of PPE	-	-	-	-	(204 600)	(204 600)	0.00	0.00	-
Purchase of Intangible Assets	-	-	-	-	-				-
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Capital Assets	-14 567 000.00	(500 000)	(15 067 000)	(15 067 000)	-	15 067 000	0.00	0.00	-
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(13 717 000)</b>	<b>350 000</b>	<b>(13 717 000)</b>	<b>(13 717 000)</b>	<b>(204 600)</b>	<b>13 512 400</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Repayment of borrowings	-	-	-	-	-	-	0.00	0.00	-
Increase/decrease in consumer deposits	-	-	-	-	-				
Finance lease payments					(818 160)				
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
<b>Payments</b>									
Loans repaid	-	-	-	-	-	-	0.00	0.00	-
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(818 160)</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>2 225 275</b>	<b>1 183 000</b>	<b>3 408 275</b>	<b>3 408 275</b>	<b>3 314 426</b>	<b>(6 722 701)</b>	<b>97.25</b>	<b>148.94</b>	<b>-</b>
Cash / Cash Equivalents at the Year begin:	-	-	-	-	92 996	92 996	0.00	0.00	-
Cash / Cash Equivalents at the Year end:	(2 225 275)	(1 183 000)	(3 408 275)	(3 408 275)	3 407 422	6 815 697	0.00	0.00	-